

THEEWATERSKLOOF

MUNICIPALITY



[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2011

THEEWATERSKLOOF MUNICIPALITY

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THEEWATERSKLOOF MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

Theewaterskloof 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 Theewaterskloof Municipality includes the following areas:

<i>Caledon</i>	<i>Greyton</i>
<i>Grabouw</i>	<i>Genadendal</i>
<i>Villiersdorp</i>	<i>Botrivier</i>
<i>Riviersonderend</i>	<i>Tesselaarsdal</i>

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Mr. C. Punt
Deputy Executive Mayor	Mrs. P.U. Stanfliet
Executive Councillor	Mr. N.H. De Wet
Executive Councillor	Mrs C.N. Booysen-Nefdt
Executive Councillor	Mr. G.E.M. Carelse
Executive Councillor	Mr. M. Tshaka
Executive Councillor	Mr K Papier
Executive Councillor	Mrs. C. Vosloo (Speaker)

MUNICIPAL MANAGER

Mr. H.S.D. Wallace

CHIEF FINANCIAL OFFICER

Mr. S.N. Jacobs

REGISTERED OFFICE

6 Plein Street, CALEDON, 7230

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA Bank, P.O. Box 145, Caledon. 7230

ATTORNEYS

Bosman & Smit
Fairbridges Attorneys
Herold Gie Attorneys
IAJ Malherbe Incorporated
Johnson Kuun & Co
Cloughton & Wehmeyer
Guthrie & Theron
Du Plessis & Mostert

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

THEEWATERSKLOOF MUNICIPALITY

MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

WARD	COUNCILLOR
1	Mr. K.R. Tiemie
2	Mrs. M.L. Hector
3	Mr K Papier
4	Mrs M.M. Koegelenberg
5	Mr. N.H. De Wet
6	Mrs. J. Nellie
7	Mrs. P.U. Stanfliet
8	Mrs. C.V. Thembani
9	Mr. N. Pieterse
10	Mrs. M. Plato
11	Mrs C.N. Booysen-Nefdt
12	Mr. U.T. Sipunzi
13	Mr. M Tshaka
Proportional	Mr. C Punt
Proportional	Mrs. C. Vosloo
Proportional	Mr. G.E.M. Carelse
Proportional	Mr. C.D. November
Proportional	Mr. I.M. Sileku
Proportional	Mr. P. De Wet
Proportional	Mrs. F.V. Mankayi
Proportional	Mr J.P. Hendricks
Proportional	Mr. A.H.F. Cupido
Proportional	Mrs. S.R. Witbooi
Proportional	Mr. M.R. Nongxaza
Proportional	Mr. D.J. Abrahams

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.



Mr. H.S.D. Wallace
Municipal Manager

5 September 2011

Date

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		497,984,970	467,210,531
Revaluations Reserve	2	11,158,466	7,913,565
Social Contribution Reserve	2	39,200	30,650
Accumulated Surplus/(Deficit)		486,787,304	459,266,316
Non-Current Liabilities		151,256,435	120,718,598
Long-term liabilities	3	100,128,801	78,104,948
Employee benefits	4	28,519,104	21,379,105
Non-current provisions	5	22,608,530	21,234,545
Current Liabilities		44,492,922	42,715,501
Consumer deposits	6	3,149,348	2,942,496
Current Employee benefits	7	11,270,845	9,637,374
Provisions	8	151,583	151,583
Payables from exchange transactions	9	21,570,773	17,074,024
Unspent conditional government grants and receipts	10	2,328,784	7,148,626
Unspent Public Contributions	11	85,632	-
Taxes	12.1	661,022	1,033,543
Operating lease liability	21.1	3,451	17,257
Current portion of long-term liabilities	3	5,271,484	4,710,598
Total Net Assets and Liabilities		693,734,327	630,644,631
ASSETS			
Non-Current Assets		641,053,624	594,848,455
Property, plant and equipment	13	403,222,279	363,096,331
Capitalised restoration costs	14	373,638	664,967
Investment property	15	235,357,830	228,757,273
Intangible assets	16	2,058,713	2,286,104
Long-term receivables	17	41,165	43,780
Current Assets		52,680,703	35,796,176
Inventory	18	1,883,869	1,586,058
Receivables from exchange transactions	19	22,370,459	16,701,860
Receivables from non-exchange transactions	20	3,565,253	6,554,895
Unpaid conditional government grants and receipts	10	182,255	29,538
Operating lease asset	21.2	184,700	116,163
Taxes	12	1,866,392	3,439,592
Current portion of long-term receivables	17	4,241	6,320
Cash and cash equivalents	22	22,623,534	7,361,750
Total Assets		693,734,327	630,644,631

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 (Actual) R	2010 (Restated) R	Correction of error R	2010 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		158,858,616	146,869,287	11,247,279	135,622,007
Taxation Revenue		41,130,046	38,728,921	-	38,728,921
Property taxes	23	41,130,046	38,728,921	-	38,728,921
Transfer Revenue		102,254,582	91,845,292	-	91,845,291
Government Grants and Subsidies	24	101,395,347	91,845,292	-	91,845,291
Public Contributions and Donations		859,235	-	-	-
Other Revenue		15,473,988	16,295,074	11,247,279	5,047,794
Third Party Payments		414,278	1,449,361	-	1,449,361
Fines		3,627,434	3,591,737	-	3,591,737
Fair Value Adjustments	27	11,432,276	11,253,976	11,247,279	6,697
Revenue from Exchange Transactions		125,980,525	114,153,759	(1,452,483)	115,606,243
Service Charges	25	108,733,355	95,401,287	-	95,401,290
Rental of Facilities and Equipment		1,351,701	1,409,011	(682,282)	2,091,293
Interest Earned - external investments		1,664,552	2,757,556	-	2,757,556
Interest Earned - outstanding debtors		7,389,348	6,351,554	-	6,351,554
Licences and Permits		2,612,474	2,188,271	-	2,188,271
Agency Services		1,778,155	1,973,519	-	1,973,519
Other Income	26	2,450,940	3,287,849	(1,034,243)	4,322,090
Gain on disposal of Property, Plant and Equipment		-	784,712	264,042	520,671
Total Revenue		284,839,141	261,023,045	9,794,796	251,228,249
EXPENDITURE					
Employee related costs	28	96,475,594	84,600,414	-	84,600,414
Remuneration of Councillors	29	6,022,360	5,654,539	-	5,654,539
Debt Impairment	30	18,637,852	16,398,694	(1,878,038)	18,276,732
Depreciation and Amortisation	31	7,163,918	6,644,372	(13,898,358)	20,542,730
Impairments	32	1,607,092	577,833	577,833	-
Repairs and Maintenance		14,054,054	34,576,270	16,887,976	17,688,294
Actuarial losses	4	4,910,343	70,985	-	70,985
Finance Charges	33	10,934,109	9,339,230	1,036,971	8,302,259
Bulk Purchases	34	34,790,079	25,913,357	-	25,913,357
Contracted services		9,949,008	8,653,412	-	8,653,412
Grants and Subsidies	35	427,760	484,727	-	484,727
Operating Grant Expenditure		27,559,606	26,586,457	(4,008,886)	30,595,343
General Expenses	36	23,988,853	21,335,989	8,962	21,327,027
Loss on disposal of Property, Plant and Equipment		788,977	-	-	-
Total Expenditure		257,309,605	240,836,279	(1,273,540)	242,109,820
NET SURPLUS/(DEFICIT) FOR THE YEAR		27,529,536	20,186,766	11,068,336	9,118,430

THEEWATERSKLOOF MUNICIPALITY

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

	Revaluations Reserve	Capital Replacement Reserve	Social Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R
Balance at 30 June 2009	-	716,718	30,650	192,953,818	193,701,186
Correction of error - Note - 37	-	-	-	245,409,014	245,409,014
Restated balance at 30 June 2009	-	716,718	30,650	438,362,832	439,110,200
Net Surplus for the year	-	-	-	20,186,766	20,186,766
Transfer to CRR	-	195,467	-	(195,467)	-
Property, Plant and Equipment purchased	-	(912,185)	-	912,185	-
Revaluation of PPE - Correction of error - Note 37.06	7,913,567	-	-	-	7,913,567
Balance at 30 JUNE 2010	7,913,567	-	30,650	459,266,316	467,210,533
Net Surplus for the year	-	-	-	27,529,536	27,529,536
Revaluation of PPE	3,244,899	-	-	-	3,244,899
Transfer to Social contribution Reserve	-	-	8,550	(8,550)	-
Balance at 30 JUNE 2011	11,158,466	-	39,200	486,787,302	497,984,968

THEEWATERSKLOOF 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		156,023,989	128,122,039
Government grants		101,395,347	91,845,292
Interest		9,053,900	9,109,110
Payments			
Suppliers and employees		(221,553,820)	(206,188,113)
Finance charges	33	(10,934,109)	(9,339,230)
Transfers and Grants		(427,760)	(484,727)
Cash generated by operations	39	33,557,548	13,064,371
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(44,623,013)	(31,444,457)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		3,577,514	876,896
Purchase of Intangible Assets	16	(46,549)	(1,232,747)
Decrease in Long-term Receivables	17	4,694	54,013
Net Cash from Investing Activities		(41,087,353)	(31,746,295)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(3,911,222)	(5,327,423)
New loans raised		26,495,960	55,171
Increase in Consumer Deposits		206,852	245,374
Net Cash from Financing Activities		22,791,590	(5,026,878)
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,261,784	(23,708,802)
Cash and Cash Equivalents at the beginning of the year		7,361,750	31,070,552
Cash and Cash Equivalents at the end of the year	40	22,623,534	7,361,750
NET INCREASE IN CASH AND CASH EQUIVALENTS		15,261,784	(23,708,802)

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).

The standards are summarised as follows:

GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC102)	Income Taxes
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

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

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. 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. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

1.7. 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 Common Control No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
GRAP 107	Mergers No significant impact is expected as the municipality does not participate in such business transactions.	Unknown

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

1.8. RESERVES

1.8.1 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.

1.8.2 Housing Development Fund

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

1.8.3 Revaluations Reserve

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

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

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

1.8.4 Social Contribution Reserve

Theewaterskloof Municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.
- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.

- As a local government, we are able to guide business sector into focus areas, which our communities have identified as their priority areas (through the IDP engagements), where private sector contributions would make a tangible difference.

Theewaterskloof Municipality recognises that business are not social development experts and therefore, the social development contributions ascribed can be contributed via the mechanism of financial and/or in-kind grant making, to the Municipality.

Contribution: 1% of selling price of property.

1.9. LEASES

1.9.1 Municipality as Lessee

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

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

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

1.9.2 Municipality as Lessor

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

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

1.10. GOVERNMENT GRANTS AND RECEIPTS

1.10.1 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.

1.10.2 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.

1.11. 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.

1.12. PROVISIONS

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

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

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

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

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

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

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

1.13. 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.

(d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. 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.

1.14. BORROWING COSTS

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

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 *Initial Recognition*

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

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired 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.

1.15.2 *Subsequent Measurement – Cost Model*

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

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

1.15.3 Subsequent Measurement – Revaluation Model

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.15.4 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The 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		Years
<u>Infrastructure</u>		<u>Other</u>	
Roads and Storm water	5-150	Buildings	20-100
Refuse	20-50	Specialist vehicles	10-35
Electricity	10-100	Other vehicles	5-30
Water	10-200	Office equipment	3-15
Sewerage	10-200	Furniture and fittings	5-20
Housing	20-100	Watercraft	15-30
		Bins and containers	5-15
<u>Community</u>		Specialised plant and	
Buildings	20-100	Equipment	5-35
Recreational Facilities	20-30	Other plant and	
Security	5-15	Equipment	2-25
Halls	20-30	Landfill sites	20-100
Libraries	20-30	Quarries	20-100
Parks and gardens	15-20	Emergency equipment	5-25
Other assets	15-30	Computer equipment	3-15
<u>Heritage Assets and Land</u>		<u>Intangible Assets</u>	
Heritage assets	10- Infinite	Software	5-10
Land	Infinite		
<u>Finance lease assets</u>			
Office equipment	3-15		
Other assets	3-15		

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.

1.15.5 De-recognition

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

1.15.6 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.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

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

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

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

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

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

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and

- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

1.16.2 Subsequent Measurement – Cost Model

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

1.16.3 Amortisation and Impairment

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

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5-10
Computer Software Licenses	5-10

1.16.4 De-recognition

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

1.16.5 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.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

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

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

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

1.17.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.17.3 De-recognition

Investment property is derecognised when it is disposed 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.

1.17.4 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.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

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

1.18.2 Subsequent Measurement

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

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

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

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 *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.

1.19.2 *Non-cash-generating assets*

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

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

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

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

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

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

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

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

1.20. 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.

1.21. INVENTORIES

1.21.1 Initial Recognition

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

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

1.21.2 Subsequent Measurement

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

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

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

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

1.22. 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).

1.22.1 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

1.22.2 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.

1.22.2.1 Receivables

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

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

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

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

1.22.2.2 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.

1.22.2.3 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.

1.22.3 De-recognition of Financial Instruments

1.22.3.1 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.

1.22.3.2 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.

1.22.4 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.

1.23. REVENUE

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

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

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

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

After a period of twelve months 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.

1.23.2 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, if material.

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

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property.

Service charges from sewerage are based on a basic charge as per Council resolution.

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.

1.23.3 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.

1.24. 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.

1.25. 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.

1.25. 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.

1.23. 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.

1.27. 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.

1.28. 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 and Long Service Awards

The cost of post retirement medical obligations and long service awards 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 as per adoption of Directive 7, 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 as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

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

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

Provisions and Contingent liabilities

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

Revenue Recognition

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

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

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 and if considered material) 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.

1.29. 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.

1.30. 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.

THEEWATERSKLOOF MUNICIPALITY

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

	2011 R	2010 R
2 NET ASSET RESERVES		
Revaluations Reserve	11,158,466	7,913,567
Social Contributions Reserve	39,200	30,650
Total Net Asset Reserves	11,197,666	7,944,217
3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	85,486,698	62,777,360
Balance previously reported	-	49,464,699
Transfer from Stock loans	-	33,177,960
Transfer to Stock loans	-	(19,865,299)
Capitalised Lease Liability - At amortised cost	48,289	172,887
Stock loans	19,865,299	19,865,299
Balance previously reported	-	33,177,960
Transfer from Annuity loans	-	19,865,299
Transfer to Annuity loans	-	(33,177,960)
	105,400,285	82,815,546
Current Portion transferred to Current Liabilities	(5,271,484)	(4,710,598)
Annuity Loans - At amortised cost	(5,223,195)	(4,577,571)
Capitalised Lease Liability - At amortised cost	(48,289)	(133,027)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	100,128,801	78,104,948

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

Payable within one year	6,579,370	3,580,461
Payable within two to five years	20,285,923	17,257,496
Payable after five years	70,486,704	53,804,702
Present value of annuity obligations	97,351,996	74,642,660

Annuity loans at amortised cost is calculated at 9.46%-16.5% interest rate, with first maturity date of 31 December 2009 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

Payable within one year	49,898	147,223
Payable within two to five years	-	41,469
	49,898	188,692
Less: Future finance obligations	(1,609)	(15,805)
Present value of lease obligations	48,289	172,887

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

THEEWATERSKLOOF MUNICIPALITY

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

	2011 R	2010 R
The obligations under stock loans are scheduled below:		
	Minimum stock loan payments	
Amounts payable under stock loans:		
Payable within one year	1,000,000	-
Payable within two to five years	-	1,000,000
Payable after five years	7,000,000	7,000,000
Present value of stock loan obligations	8,000,000	8,000,000

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

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

4	EMPLOYEE BENEFITS		
	Post Retirement Benefits - Refer to Note 4.1	25,621,820	18,973,693
	Long Service Awards - Refer to Note 4.2	2,897,284	2,405,412
	Total Non-current Employee Benefit Liabilities	28,519,104	21,379,105
	<u>Post Retirement Benefits</u>		
	Balance 1 July	19,691,820	17,762,374
	Contribution for the year	1,099,294	2,595,722
	Interest Cost	1,761,631	-
	Expenditure for the year	(761,450)	(669,706)
	Actuarial Loss/(Gain)	4,723,205	3,430
	Total post retirement benefits 30 June	26,514,500	19,691,820
	Less: Transfer of Current Portion - Note 7	(892,680)	(718,127)
	Balance 30 June	25,621,820	18,973,693
	<u>Long Service Awards</u>		
	Balance 1 July	2,654,371	2,306,200
	Contribution for the year	407,235	574,328
	Interest Cost	232,191	-
	Expenditure for the year	(228,867)	(293,712)
	Actuarial Loss/(Gain)	187,137	67,555
	Total long service 30 June	3,252,067	2,654,371
	Less: Transfer of Current Portion - Note 7	(354,783)	(248,959)
	Balance 30 June	2,897,284	2,405,412
	<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
	Balance 1 July	22,346,191	20,068,574
	Contribution for the year	1,506,529	3,170,050
	Interest cost	1,993,822	-
	Expenditure for the year	(990,318)	(963,418)
	Actuarial Loss/(Gain)	4,910,343	70,985
	Total employee benefits 30 June	29,766,567	22,346,191
	Less: Transfer of Current Portion - Note 7	(1,247,463)	(967,086)
	Balance 30 June	28,519,104	21,379,105

THEEWATERSKLOOF MUNICIPALITY

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

		2011 R	2010 R
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:		
	In-service (employee) members	146	149
	In-service (employee) non-members	447	447
	Continuation members (e.g. Retirees, widows, orphans)	29	26
	Total Members	622	622
	The liability in respect of past service has been estimated to be as follows:		
	In-service members	14,414,000	9,874,750
	Continuation members	12,100,500	9,817,070
	Total Liability	26,514,500	19,691,820
	The liability in respect of periods commencing prior to the comparative year has been estimated as follows:		
		2009 R	2008 R
	Members	17,762,374	14,781,876
	Total Liability	17,762,374	13,577,334
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
	Bonitas; LA Health Samwumed; and Keyhealth.		
	Key actuarial assumptions used:	2011 %	2010 %
	i) Rate of interest		
	Discount rate	8.65%	9.11%
	Health Care Cost Inflation Rate	7.32%	7.78%
	Net Effective Discount Rate	1.24%	1.23%
	ii) Mortality rates		
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
	iii) Normal retirement age		
	It has been assumed that in-service members will retire at age 60, 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	26,514,500	19,691,820
	Net liability/(asset)	26,514,500	19,691,820

THEEWATERSKLOOF MUNICIPALITY

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

	2011 R	2010 R
4 EMPLOYEE BENEFITS (CONTINUE)		
Reconciliation of present value of fund obligation		
Present value of fund obligation at the beginning of the year	19,691,820	17,762,374
Total expenses	2,099,475	1,926,016
Current service cost	1,099,294	1,007,524
Interest Cost	1,761,631	1,588,198
Benefits Paid	(761,450)	(669,706)
Actuarial (gains)/losses	4,723,205	3,430
Present value of fund obligation at the end of the year	26,514,500	19,691,820
Less: Transfer of Current Portion - Note 7	(892,680)	(718,127)
Balance 30 June	25,621,820	18,973,693

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	14.414	12.101	26.515

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%	17.342	13.388	30.730	16%
Health care inflation	-1%	12.100	10.990	23.090	-13%
Post-retirement mortality	-1 year	14.881	12.575	27.456	4%
Average retirement age	-1 year	15.669	12.101	27.770	5%
Withdrawal Rate	-50%	16.062	12.101	28.163	6%

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

578	542
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Key actuarial assumptions used:

2011	2010
%	%

i) Rate of interest

Discount rate	7.89%	9.17%
General Salary Inflation (long-term)	6.30%	6.56%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.50%	2.45%

2011	2010
R	R

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	3,252,067	2,654,371
Net liability	3,252,067	2,654,371

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

4 EMPLOYEE BENEFITS (CONTINUE)

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

	2009 R	2008 R	2007 R
Total Liability	2,306,200	1,868,134	1,723,058
Reconciliation of present value of fund obligation			
Present value of fund obligation at the beginning of the year		2,654,371	2,306,200
Total expenses		410,559	280,616
Current service cost		407,235	373,035
Interest Cost		232,191	201,293
Benefits Paid		(228,867)	(293,712)
Actuarial (gains)/losses		187,137	67,555
Present value of fund obligation at the end of the year		3,252,067	2,654,371
Less: Transfer of Current Portion - Note 7		(354,783)	(248,959)
Balance 30 June		2,897,284	2,405,412

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		3.252	
General salary inflation	1%	3.497	8%
General salary inflation	-1%	3.033	-7%
Average retirement age	-2 yrs	2.776	-15%
Average retirement age	2 yrs	3.631	12%
Withdrawal rates	-50%	4.119	27%

4.3 Retirement funds

CAPE JOINT PENSION FUND

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

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 an 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.

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%).

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement 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.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future.

THEEWATERSKLOOF MUNICIPALITY

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

	2011 R	2010 R
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	22,608,530	21,234,545
Total Non-current Provisions	22,608,530	21,234,545
 <u>Landfill Sites</u>		
Balance 1 July	21,386,128	20,349,157
Balance previously reported	-	-
First time recognition of Capitalised Restoration Cost - At Cost- Note 37.02	-	20,349,157
Contribution for the year	1,373,985	1,036,971
Total provision 30 June	22,760,113	21,386,128
<u>Less:</u> Transfer of Current Portion to Current Provisions - Note 8	(151,583)	(151,583)
Balance 30 June	22,608,530	21,234,545
 6 CONSUMER DEPOSITS		
Water & Electricity	3,149,348	2,942,496
Total Consumer Deposits	3,149,348	2,942,496
 Guarantees held in lieu of Electricity and Water Deposits	266,050	266,050
 The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.		
 7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	892,680	718,127
Current Portion of Long-Service Provisions - Note 4	354,783	248,959
Staff Leave	7,295,790	6,031,105
Performance Bonuses	677,399	654,256
Compensation for injuries on duty contribution	1,082,385	493,883
Pension fund shortfall	749,717	646,326
Pension	128,604	48,478
Group Insurance	89,487	70,932
Task Implementation	-	725,308
Total Current Employee Benefits	11,270,845	9,637,374
 The movement in current employee benefits are reconciled as follows:		
<u>Staff Leave</u>		
Balance at beginning of year	6,031,105	5,222,716
Contribution to current portion	1,777,748	1,246,900
Expenditure incurred	(513,062)	(438,511)
Balance at end of year	7,295,791	6,031,105
 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.		
<u>Performance Bonuses</u>		
Balance at beginning of year	654,256	408,453
Contribution to current portion	677,398	654,256
Expenditure incurred	(654,255)	(408,453)
Balance at end of year	677,399	654,256
 Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		

THEEWATERSKLOOF MUNICIPALITY

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

7 CURRENT EMPLOYEE BENEFITS (CONTINUE)

Compensation for injuries on duty contribution

	2011 R	2010 R
Balance at beginning of year	493,883	-
Contribution to current portion	588,502	493,883
Balance at end of year	<u>1,082,385</u>	<u>493,883</u>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

Pension Fund shortfall

Balance at beginning of year	646,326	-
Contribution to current portion	-	646,326
Interest on arrear account	103,391	-
Balance at end of year	<u>749,717</u>	<u>646,326</u>

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.

Pension

Balance at beginning of year	48,478	48,478
Contribution to current portion	80,126	-
Balance at end of year	<u>128,604</u>	<u>48,478</u>

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

Group Insurance

Fair Value at beginning of year	70,932	16,503
Fair Value adjustment during the year.	18,555	54,429
Fair value at end of year	<u>89,487</u>	<u>70,932</u>

Shares accruing and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated.

Task implementation

Balance at beginning of year	725,308	-
Contribution to current portion	-	725,308
Expenditure incurred	(725,308)	-
Balance at end of year	<u>-</u>	<u>725,308</u>

An agreement was reached on the implementation of a national salary grading structure with backpay paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement.

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 4 (Restated 2010)	151,583	151,583
Total Provisions	<u>151,583</u>	<u>151,583</u>

THEEWATERSKLOOF MUNICIPALITY

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

9	PAYABLES FROM EXCHANGE TRANSACTIONS	2011 R	2010 R
	Trade Payables	10,774,673	7,393,474
	Interest Accrued	974,687	808,985
	Payments received in advance	2,532,572	2,892,187
	Retentions	5,483,602	4,208,670
	Balance previously reported		3,577,361
	Correction of error - Note 37.08		631,310
	Sundry Deposits	598,903	793,483
	Correction of error - Land Sales deposits - Note 37.08	1,206,336	977,225
	Total Trade Payables	21,570,773	17,074,024

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

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

Sundry deposits include Hall, Builders and Housing Deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	2,328,784	7,148,626
National Government Grants	1,920,130	5,880,027
Provincial Government Grants	253,344	1,245,432
Other Grant Providers	155,309	23,167
Less: Unpaid Grants	182,255	29,538
Provincial Government Grants	182,255	-
Other Grant Providers	-	29,538
Total Conditional Grants and Receipts	2,146,528	7,119,088

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.

11 UNSPENT PUBLIC CONTRIBUTIONS

HAN	85,632	-
Total Unspent Public Contributions	85,632	-
Reconciliation of public contributions		
<u>HAN</u>		
Opening balance	-	-
Contributions received	944,866	-
Conditions met - Transferred to revenue	(859,235)	-
Closing balance	85,632	-

Upliftment of previously disadvantaged communities

12 TAXES

12.1 VAT PAYABLE

VAT Payable	10,559,794	8,732,487
Less: Contribution to provision for impairment of trade receivables from exchange transactions	(9,898,772)	(7,698,944)
Total Vat payable	661,022	1,033,543

12.2 VAT RECEIVABLE

VAT Receivable	1,866,392	3,439,592
Total VAT receivable	1,866,392	3,439,592

12.3 NET VAT RECEIVABLE/(PAYABLE)

	1,205,370	2,406,049
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VAT is receivable/payable on the cash basis.

13 PROPERTY, PLANT AND EQUIPMENT

THEEWATERSKLOOF MUNICIPALITY

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

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

	Cost										Accumulated Depreciation and Impairment Losses				Carrying Value	
	Residual Value					Residual Value					Revaluation		Disposals		Closing Balance	
	Opening Balance	Additions	Revaluations	Impairments	Disposals	Closing Balance	Opening Balance	Additions	Revaluation	Reversal	R	R	R	R	R	R
Land and Buildings	103,107,458	-	270,572	2,651,414	-	(294,344)	-	105,735,100	-	593,485	(593,485)	-	-	-	105,735,100	
Land	45,509,468	-	2,570,832	-	-	(11,500)	-	48,068,800	-	-	-	-	-	-	48,068,800	
Buildings	57,597,990	-	80,582	(282,844)	-	57,666,300	-	57,666,300	-	593,485	(593,485)	-	-	-	57,666,300	
Infrastructure	287,222,753	41,377,267	-	-	-	328,600,021	60,961,656	4,057,862	-	-	-	-	-	-	65,019,518	263,580,502
Roads and Storm water	90,629,860	9,179,456	-	-	-	99,809,316	27,345,041	1,769,869	-	-	-	-	-	-	29,114,910	70,694,406
Electricity Network	28,421,248	3,519,541	-	-	-	31,940,789	6,333,244	383,346	-	-	-	-	-	-	6,716,591	25,224,198
Sewerage Network	70,696,076	4,940,829	-	-	-	75,636,905	11,107,418	819,296	-	-	-	-	-	-	11,926,714	63,710,191
Water Network	88,207,014	14,134,948	-	-	-	102,341,962	15,855,688	980,062	-	-	-	-	-	-	16,835,750	85,506,211
Refuse Removal	383,832	-	383,832	-	-	383,832	141,390	15,852	-	-	-	-	-	-	157,241	226,591
Housing	8,884,724	9,602,493	-	-	-	18,487,217	178,875	89,437	-	-	-	-	-	-	268,312	18,218,904
Community Assets	10,186,968	683,020	-	-	-	10,869,988	5,069,794	401,625	-	-	-	-	-	-	5,471,419	5,398,569
Recreation Grounds	2,896,915	683,020	-	-	-	3,579,935	1,047,105	130,226	-	-	-	-	-	-	1,177,331	2,402,603
Community Halls	839,927	-	-	-	-	839,927	402,010	27,980	-	-	-	-	-	-	409,938	430,927
Libraries	3,894,000	-	-	-	-	3,894,000	2,336,329	129,717	-	-	-	-	-	-	2,466,046	1,427,954
Parks & Gardens	1,753,024	-	-	-	-	1,753,024	1,004,358	86,949	-	-	-	-	-	-	1,091,307	661,718
Cemeteries	803,102	-	-	-	-	803,102	279,992	26,753	-	-	-	-	-	-	306,745	496,357
Lease Assets	1,784,991	-	-	-	-	1,784,991	506,891	15,971	-	-	-	-	-	-	111,457	395,434
Office Equipment	1,784,991	-	-	-	-	1,784,991	506,891	15,971	-	-	-	-	-	-	111,457	395,434
Other Assets	34,649,564	2,292,154	-	-	-	36,941,718	7,239,345	1,589,701	-	-	-	-	-	-	8,829,046	28,112,671
Vehicles	4,149,488	105,056	-	-	-	4,254,544	871,141	202,579	-	-	-	-	-	-	1,073,721	3,180,824
Tools & Equipment	1,897,451	680,275	-	-	-	2,577,726	225,408	169,023	-	-	-	-	-	-	394,432	2,183,295
Furniture	1,015,670	128,859	-	-	-	1,144,530	225,240	53,205	-	-	-	-	-	-	278,445	870,084
Equipment	2,160,096	442,679	-	-	-	2,602,774	641,241	180,776	-	-	-	-	-	-	822,017	1,780,758
Special Vehicles	21,721,466	119,591	-	-	-	21,841,048	4,471,607	703,508	-	-	-	-	-	-	5,175,313	16,665,735
Tables	285,539	50,556	-	-	-	336,095	81,402	16,052	-	-	-	-	-	-	97,454	241,621
Chairs	547,656	101,670	-	-	-	649,328	95,113	28,919	-	-	-	-	-	-	124,032	525,496
Office Equipment	1,270,047	184,208	-	-	-	1,454,255	294,540	101,611	-	-	-	-	-	-	396,150	1,058,104
Computer Hardware	1,594,949	310,760	-	-	-	1,905,729	333,452	131,156	-	-	-	-	-	-	464,608	1,441,120
Other	-	168,510	-	-	-	168,510	-	2,874	-	-	-	-	-	-	2,874	165,635
	436,951,735	44,623,013	2,651,414	-	-	482,653,718	73,855,403	6,658,644	(593,485)	(593,485)	(488,123)	(488,123)	-	-	79,431,440	403,222,278

THE WATERSKLOOF MUNICIPALITY

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

30 JUNE 2010

Reconciliation of Carrying Value

	Cost		Accumulated Depreciation and Impairment Losses						Carrying Value	
	Residual Value		Residual Value		Revaluation		Closing Balance		R	
	Opening Balance	Residual Value	Opening Balance	Residual Value	Revaluation	Revaluation	Closing Balance	Closing Balance	R	R
	R	R	R	R	R	R	R	R	R	R
Land and Buildings	95,970,244	-	1,082,925	-	103,107,458	564,099	(1,693,319)	-	-	103,107,458
Land	39,550,949	-	-	-	45,509,468	-	-	-	-	45,509,468
Buildings	56,419,295	-	1,082,925	(165,960)	57,597,990	564,099	(1,693,319)	-	-	57,597,990
Infrastructure	260,530,948	-	26,691,805	-	287,222,753	3,979,885	-	-	-	286,214,558
Roads and Storm water	77,947,055	-	12,682,805	-	90,629,860	25,575,172	1,769,869	-	-	117,974,806
Electricity Network	21,506,499	-	6,914,749	-	28,421,248	5,950,855	382,389	-	-	34,768,481
Sewerage Network	70,232,821	-	463,255	-	70,696,076	10,290,092	817,326	-	-	81,759,494
Water Network	85,796,350	-	2,410,664	-	88,207,014	14,950,677	905,012	-	-	104,152,693
Refuse Removal	383,832	-	-	-	383,832	125,538	15,852	-	-	525,222
Housing	4,864,391	-	4,220,333	-	8,884,724	89,437	89,437	-	-	9,003,598
Community Assets	9,914,523	-	272,445	-	10,186,968	4,716,115	353,679	-	-	15,256,767
Recreation Grounds	2,624,470	-	272,445	-	2,896,915	964,825	82,280	-	-	3,774,160
Community Halls	839,927	-	-	-	839,927	374,030	27,980	-	-	1,241,934
Libraries	3,894,000	-	-	-	3,894,000	2,206,612	129,717	-	-	6,229,329
Parks & Gardens	1,753,024	-	-	-	1,753,024	917,409	86,949	-	-	2,756,382
Cemeteries	803,102	-	-	-	803,102	253,239	26,753	-	-	1,082,094
Lease Assets	1,729,820	-	55,171	-	1,784,991	483,539	101,069	-	-	2,323,610
Office Equipment	1,729,820	-	55,171	-	1,784,991	483,539	101,069	-	-	2,323,610
Other Assets	30,896,425	1,434,108	3,228,285	113,825	34,649,564	7,002,003	1,225,254	(987,912)	7,239,345	37,410,219
Vehicles	3,375,638	378,555	430,797	29,845	4,184,990	764,089	172,399	-	(65,346)	4,922,033
Tools & Equipment	1,529,245	-	369,707	-	1,898,952	144,850	82,058	-	(1,500)	2,042,309
Furniture	879,281	-	140,389	-	1,019,670	183,731	41,510	-	-	1,243,910
Equipment	2,026,869	-	148,637	-	2,175,506	520,900	134,604	-	(14,263)	2,395,747
Special Vehicles	20,003,289	1,055,553	1,511,644	83,980	22,594,476	4,754,670	616,262	-	(899,125)	27,450,023
Tables	288,539	-	-	-	288,539	67,179	14,223	-	-	369,941
Chairs	449,904	-	99,657	-	549,561	76,968	19,693	-	(1,548)	647,611
Office Equipment	939,384	-	331,513	-	1,270,897	235,870	59,519	-	(850)	1,555,606
Computer Hardware	1,404,286	-	195,943	-	1,599,229	253,747	84,985	-	(5,280)	1,868,932
	309,041,959	1,434,108	31,330,632	113,825	436,951,735	70,312,649	6,223,985	(1,693,319)	(987,912)	438,586,938

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

13

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2011 R	2010 R
Assets pledged as security:		
No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance.		
Third party payments received for losses incurred:		
Payments received (Excluding VAT)	414,278	523,081
Surplus/Deficit	<u>414,278</u>	<u>523,081</u>

Impairment of property plant and equipment for the year

Impairment charges on Property, plant and equipment recognised in statement of financial performance

Land and Buildings	294,344	-
	<u>294,344</u>	<u>-</u>

The current economic climate with resultant declining property values is the main reason for impairment charges

Fair value of Land and Buildings was determined by a registered Valuator - Mr De Kock

Effect of changes in accounting estimates

All changes in accounting estimates were now recognised retrospectively as correction of errors, as it relates to original incorrect useful lives incorrectly allocated and now corrected, in terms of the implementation requirements of Directive 4. Future changes in useful lives will be measured prospectively in accordance with GRAP 3.

14

CAPITALISED RESTORATION COST

Net Carrying amount at 1 July	664,967	922,049
Cost	3,432,613	3,432,613
Balance previously reported		-
First time recognition of Capitalised Restoration Cost - At Cost- Note 37.01		3,432,613
Accumulated Depreciation	(2,749,189)	(2,510,564)
Balance previously reported		-
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 37.01		(2,510,564)
Accumulated Impairments	(18,457)	-
Acquisitions	-	-
Depreciation for the year	(231,331)	(238,625)
Balance previously reported		-
Recognition of Depreciation for 2009/2010 - Note 37.01		(238,625)
Impairment for the year	(59,998)	(18,457)
Balance previously reported		-
Recognition of Depreciation for 2009/2010 - Note 37.01		(18,457)
Net Carrying amount at 30 June	373,638	664,967
Cost	3,432,613	3,432,613
Accumulated Depreciation	(2,980,520)	(2,749,189)
Accumulated Impairments	(78,455)	(18,457)

THEEWATERSKLOOF MUNICIPALITY

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

15

INVESTMENT PROPERTY

Net Carrying amount at 1 July

Cost - Balance previously reported
Correction of error - Note 37.04
Accumulated Depreciation
Correction of error - Note 37.04

Disposals
Depreciation for the year
Correction of error - Note 37.04
Fair Value Adjustments - Impairment
Revaluation increase
Correction of error - Note 37.04

Net Carrying amount at 30 June

Cost

**2011
R**

**2010
R**

228,757,273

217,960,428

228,757,273

46,167,374

171,793,054

(16,306,561)

16,306,561

(3,577,514)

(57,018)

(551,439)

551,439

(1,252,750)

(393,416)

11,430,821

-

11,247,279

235,357,830

228,757,273

235,357,830

228,757,273

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

Cost

-

171,793,054

Accumulated Depreciation

-

16,858,000

Total not previously recognised now restated retrospectively

-

171,793,054

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

1,107,076

1,857,694

Operating expenditure incurred on properties

8,529,299

8,174,642

16

INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

Cost - Restated 2010 - Note 37.03
Accumulated Amortisation - Restated 2010 - Note 37.03

Additions
Amortisation - Restated 2010 - Note 37.03

Net Carrying amount at 30 June

Cost

Accumulated Amortisation

2,286,104

1,235,119

2,724,103

1,491,356

(437,999)

(256,238)

46,549

1,232,747

(273,940)

(181,762)

2,058,713

2,286,104

2,770,652

2,724,103

(711,939)

(437,999)

The municipality previously 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 Intangible Assets in accordance GRAP 102.

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

Computer software;

-

850,510

Accumulated amortisation on computer software reversed

-

42,851

Total not previously recognised now restated retrospectively

-

893,361

THEEWATERSKLOOF MUNICIPALITY

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

16 INTANGIBLE ASSETS (CONTINUED)

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</u> <u>R</u>	<u>2010</u> <u>R</u>
Computer software	5	2,058,713	2,286,104

No intangible asset were asessed 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.

17 LONG-TERM RECEIVABLES

Officials' Housing Loans - At amortised cost	52,414	56,086
Sport Club and Other Loans - At amortised cost	-	2,477
	<u>52,414</u>	<u>58,563</u>
Less: Unamortised Discount on Loans	(7,008)	(8,463)
Balance 1 July	(8,463)	(15,159)
Adjustment for the period	<u>1,455</u>	<u>6,697</u>
	45,406	50,101
	<u>(4,241)</u>	<u>(6,320)</u>
Less: Current portion transferred to current receivables	(4,241)	(3,844)
Officials Housing Loans - At amortised cost	-	(2,477)
Sport Club and Other Loans - At amortised cost		
	<u>41,165</u>	<u>43,780</u>
Total Long Term Receivables	<u>41,165</u>	<u>43,780</u>

HOUSING LOANS

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.

SPORT CLUB AND OTHER LOANS

Sport Club loans are not anymore granted by the municipality. The outstanding amount relates to the Caledon Child and Family Care Organisation which is repayable in 2011. Loans to the value of R 96 006 for Sport Clubs were written off in 2009/2010.

All remaining amounts are collectable.

18 INVENTORY

Maintenance Materials - At cost	1,614,179	-
Correction of error Maintenance materials - Note 37.07	-	1,488,579
Water – at cost	<u>269,690</u>	<u>97,479</u>
Total Inventory	<u>1,883,869</u>	<u>1,586,058</u>

A reconciliation of water losses is included in Note 44.4

THEEWATERSKLOOF MUNICIPALITY

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

	2011 R	2010 R
19 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	5,994,270	5,391,139
Water	29,821,845	29,773,042
Refuse	21,413,706	19,550,640
Sewerage	21,098,829	20,654,541
Other	10,940,902	4,169,571
Total Receivables from Exchange Transactions	89,269,552	79,538,932
Less: Allowance for Doubtful Debts	(66,899,093)	(62,837,072)
Total Net Receivables from Exchange Transactions	22,370,459	16,701,860

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

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.

20 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	21,967,263	25,021,036
Other Receivables	4,304,052	2,855,380
Accrued Fines	423,483	403,629
Total Receivables from Non-Exchange Transactions	26,694,798	28,280,046
Less: Allowance for Doubtful Debts	(23,129,545)	(21,725,151)
Total Net Receivables from Non-Exchange Transactions	3,565,253	6,554,895

Ageing of receivables

Current (0 - 30 days)	12,193,409	12,512,357
1 to 3 months	8,717,961	5,308,059
3 to 6 months	5,667,658	6,807,518
Longer than 6 months	89,385,321	83,191,044
Total	115,964,350	107,818,978

Reconciliation of Provision for Bad Debts

Balance at beginning of year	84,562,223	71,408,996
Contribution to provision/(Reversal of provision)	20,407,456	18,276,732
Bad Debts Written Off	(14,941,040)	(5,123,505)
Balance at end of year	90,028,638	84,562,223

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.

THEEWATERSKLOOF MUNICIPALITY

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

21		2011 R	2010 R
	OPERATING LEASE ARRANGEMENTS		
21.1	The Municipality as Lessee (Liability)		
	Balance on 1 July	17,257	1,685
	Movement during the year	(13,806)	15,572
	Previously reported		6,610
	Correction of error - Note 37.11		8,962
	Balance on 30 June	3,451	17,257

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:

Up to 1 Year	44,810	283,042
1 to 5 Years	-	44,810
More than 5 Years	-	-
Total Operating Lease Arrangements	44,810	327,852

Theewaterskloof Municipality is leasing plot no. 538, in Caledon, from Tresso Trading 525 (Pty) Ltd for 3 year during the period September 2009 to August 2011 with a escalation of 8% per year.

21.2	The Municipality as Lessor (Asset)		
	Balance on 1 July	116,163	45,937
	Balance previously reported		851,253
	Correction of error - Note 37.10		(805,316)
	Movement during the year	68,537	70,226
	Balance previously reported		752,507
	Correction of error - Note 37.10		(682,282)
	Balance on 30 June	184,700	116,163

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	445,081	2,182,377
1 to 5 Years	1,536,949	10,563,471
More than 5 Years	980,832	9,085,650
Total Operating Lease Arrangements	2,962,861	21,831,498

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 24-119 months with escalations of between 1% and 12% per year.

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 for periods ranging until 2094

22	CASH AND CASH EQUIVALENTS		
	Assets		
	Call Investments Deposits	15,394,461	4,987,046
	Primary Bank Account	7,222,673	2,369,704
	Cash Floats	6,400	5,000
	Total Cash and Cash Equivalents - Assets	22,623,534	7,361,750

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.

Call Investments Deposits to an amount of R 2 328 784 are held to fund the Unspent Conditional Grants (2010: R7 148 626).

THEEWATERSKLOOF MUNICIPALITY

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

22	CASH AND CASH EQUIVALENTS (CONTINUED)	2011 R	2010 R
	Bank overdraft of R2 000 000 exists at ABSA and ABSA also has one guarantee of R15 000 in the name of the beneficiary, Eskom.		
	An amount of R 430 224 (2010: R 451 898), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encashing property developments financed by the investment company before distribution of funds will continue, however it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.		
	The municipality has the following bank accounts:		
	<u>Current Accounts</u>		
	Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):	7,222,673	2,369,704
		7,222,673	2,369,704
	Traffic account is cleared daily to Primary Bank Account.		
	<u>Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):</u>		
	Cash book balance at beginning of year	2,369,704	5,580,722
	Cash book balance at end of year	7,222,673	2,369,704
	Bank statement balance at beginning of year	2,122,695	6,726,645
	Bank statement balance at end of year	7,506,549	2,122,695
	<u>Call Investment Deposits</u>		
	Call investment deposits consist out of the following accounts:		
	Nedbank 03/7881715316/001 Notice deposit	143,787	136,394
	Interneuron Capital Ltd CA 002 Notice deposit	430,224	451,898
	ABSA 9095225460 Notice deposit	13,343,903	2,604,919
	ABSA 90 8877 0478 Redemption Fund	1,817,284	1,722,903
	Sanlam Shares Investment	89,487	70,932
	Less: Provision for impairment	(430,224)	-
		15,394,461	4,987,046
23	PROPERTY RATES		
	<u>Actual</u>		
	Rateable Land and Buildings	42,477,807	40,514,074
	Residential, Commercial Property, State	42,477,807	40,514,074
	Less: Rebates	(1,347,761)	(1,785,153)
	Total Assessment Rates	41,130,046	38,728,921
	<u>Valuations - 1 JULY 2009</u>		
	Rateable Land and Buildings		
	Residential	3,522,093,500	3,501,041,500
	Business & Commercial	700,273,000	701,400,000
	Public benefit Organizations	216,329,500	216,319,500
	State-owned	132,557,000	143,412,000
	Agricultural	4,041,902,500	4,027,855,500
	Other	573,383,500	634,226,000
	Total Assessment Rates	9,186,539,000	9,224,254,500
	Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows:		
	Residential - The first R15 000 on the valuation is exempted.		
	Rates:		
	Residential	0.58c/R	0.53c/R
	Commercial	1.15c/R	1.06c/R
	Agricultural	0.145c/R	1.06c/R

THEEWATERSKLOOF MUNICIPALITY

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

23 PROPERTY RATES (CONTINUED)

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

24 GOVERNMENT GRANTS AND SUBSIDIES

	2011 R	2010 R
Unconditional Grants	43,654,220	33,166,640
Equitable Share	43,654,220	33,166,640
Conditional Grants	57,741,126	58,678,651
EPWP	255,961	-
National Electrification Program	-	2,337,000
Municipal Infrastructure Grant	20,305,654	22,691,741
MSIG Funds	1,063,542	1,300,000
Finance Management Grant	923,740	1,018,170
IMQS	-	250,000
Sportsfield : Caledon	193,081	308,057
Sportfield: Grabouw	498,607	2,531
Spatial Development Framework	-	12,084
Botrivier Development Contribution	-	22,800
CDW's	443,685	428,778
Housing	32,437,219	27,124,583
Upgrading Water (Genadendal)	-	3,280
Township Development: Dennekruin	17,797	-
Sportsfields: Villiersdorp	-	22,256
Multi Purpose Bus	-	218,925
Main Roads Subsidy	60,000	252,000
Library Subsidy	678,000	491,000
DBSA Collaborator	-	858,925
DBSA Debtpack	-	341,706
DBSA GIS	-	8,074
DBSA Local Economic Development	635,156	404,301
DBSA Performance Management System	-	309,127
SETA	228,684	273,314
Total Government Grants and Subsidies	101,395,346	91,845,291

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

24.01 Equitable share

Opening balance	-	-
Grants received	43,654,220	33,166,640
Conditions met - Transferred to revenue	(43,654,220)	(33,166,640)
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.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R228 per month (2010: R228)

24.02 EPWP

Opening balance	694,600	-
Grants received	989,000	694,600
Conditions met - Transferred to revenue	(255,961)	-
Conditions still to be met	1,427,639	694,600

To extend services to communities through a nationally co-ordinated approach.

THEEWATERSKLOOF MUNICIPALITY

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

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2011 R	2010 R
24.03	National Electrification Program		
	Opening balance	-	-
	Grants received	-	2,337,000
	Conditions met - Transferred to revenue	-	(2,337,000)
	Conditions still to be met	-	-
	To implement the Programme (INEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply		
24.04	Municipal Infrastructure Grant		
	Opening balance	4,905,654	7,085,394
	Grants received	15,400,000	20,512,000
	Conditions met - Transferred to revenue	(20,305,654)	(22,691,741)
	Conditions still to be met	-	4,905,654
	The grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.		
24.05	MSIG Funds		
	Opening balance	-	-
	Grants received	1,200,000	1,300,000
	Conditions met - Transferred to revenue	(1,063,542)	(1,300,000)
	Grant expenditure to be recovered	136,458	-
	The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
24.06	Finance Management Grant		
	Opening balance	279,773	297,943
	Grants received	1,000,000	1,000,000
	Conditions met - Transferred to revenue	(923,740)	(1,018,170)
	Grant expenditure to be recovered	356,033	279,773
	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). No funds have been withheld.		
24.07	IMQS		
	Opening balance	-	-
	Grants received	-	250,000
	Conditions met - Transferred to revenue	-	(250,000)
	Grant expenditure to be recovered	-	-
	To upgrade the water and sanitation masterplan on the Municipal Information Management Query System		
24.08	Sportsfield : Caledon		
	Opening balance	193,081	-
	Grants received	-	501,138
	Conditions met - Transferred to revenue	(193,081)	(308,057)
	Grant expenditure to be recovered	-	193,081

THEEWATERSKLOOF MUNICIPALITY

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

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2011 R	2010 R
24.09	Sportfield: Grabouw		
	Opening balance	498,607	-
	Grants received	-	501,138
	Conditions met - Transferred to revenue	(498,607)	(2,531)
	Grant expenditure to be recovered	-	498,607
24.10	Spatial Development Framework		
	Opening balance	30,469	42,553
	Conditions met - Transferred to revenue	-	(12,084)
	Grant expenditure to be recovered	30,469	30,469
24.11	Botrivier Development Contribution		
	Opening balance	38,889	61,689
	Conditions met - Transferred to revenue	-	(22,800)
	Grant expenditure to be recovered	38,889	38,889
	To obtain a policy for dealing with development applications and the payment of development contributions		
24.12	CDW's		
	Opening balance	321,169	533,946
	Grants received	175,000	216,000
	Conditions met - Transferred to revenue	(443,685)	(428,778)
	Grant expenditure to be recovered	52,484	321,169
	To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional coordinators.		
24.13	Project Reparation		
	Opening balance	69,400	69,400
	Grant expenditure to be recovered	69,400	69,400
	Development of project plans.		
24.14	Housing		
	Opening balance	13,919	5,268
	Grants received	32,241,045	27,133,234
	Conditions met - Transferred to revenue	(32,437,219)	(27,124,583)
	Grant expenditure to be recovered	(182,255)	13,919
	Provide housing to the indigents.		
24.15	Upgrading Water (Genadendal)		
	Opening balance	-	3,280
	Conditions met - Transferred to revenue	-	(3,280)
	Grant expenditure to be recovered	-	-
24.16	Township Development: Dennekruin		
	Opening balance	17,797	17,797
	Conditions met - Transferred to revenue	(17,797)	-
	Grant expenditure to be recovered	-	17,797

THEEWATERSKLOOF MUNICIPALITY

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

24		2011	2010
	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	R	R
24.17	Sportsfields: Villiersdorp		
	Opening balance	-	22,256
	Conditions met - Transferred to revenue	-	(22,256)
	Grant expenditure to be recovered	-	-
		<u>-</u>	<u>-</u>
24.18	Multi Purpose Bus		
	Opening balance	62,102	257,444
	Grants received	-	23,584
	Conditions met - Transferred to revenue	-	(218,925)
	Grant expenditure to be recovered	62,102	62,102
		<u>62,102</u>	<u>62,102</u>
24.19	Main Roads Subsidy		
	Opening balance	-	-
	Grants received	60,000	252,000
	Conditions met - Transferred to revenue	(60,000)	(252,000)
	Grant expenditure to be recovered	-	-
		<u>-</u>	<u>-</u>
24.20	Library Subsidy		
	Opening balance	-	-
	Grants received	678,000	491,000
	Conditions met - Transferred to revenue	(678,000)	(491,000)
	Grant expenditure to be recovered	-	-
		<u>-</u>	<u>-</u>
24.21	Other Grant Providers		
	Opening balance	(6,371)	31,241
	Grants received	1,025,521	2,157,834
	Conditions met - Transferred to revenue	(863,841)	(2,195,446)
	Conditions still to be met	155,309	(6,371)
		<u>155,309</u>	<u>(6,371)</u>
	Various grants were received from other spheres of government (e.g. DBSA and SETA)		
24.22	Total Grants		
	Opening balance	7,119,088	8,428,212
	Grants received	96,422,786	90,536,167
	Conditions met - Transferred to revenue	(101,395,346)	(91,845,291)
	Conditions still to be met/(Grant expenditure to be recovered)	2,146,528	7,119,088
		<u>2,146,528</u>	<u>7,119,088</u>
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	2,328,784	7,148,626
	Unpaid Conditional Government Grants and Receipts	(182,255)	(29,538)
		<u>2,146,528</u>	<u>7,119,088</u>
25	SERVICE CHARGES		
	Electricity	46,752,054	37,931,232
	Water	34,162,938	31,259,232
	Refuse removal	14,165,286	13,145,598
	Sewerage and Sanitation Charges	13,418,944	12,878,805
	Other Service Charges	234,133	186,420
		<u>108,733,355</u>	<u>95,401,287</u>
	Less: Rebates	-	-
	Total Service Charges	<u>108,733,355</u>	<u>95,401,287</u>

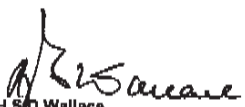
Income foregone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

THEEWATERSKLOOF MUNICIPALITY

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

		2011	2010
		R	R
26	OTHER INCOME		
	Administration	25,332	275,219
	Building Plan fees	636,692	819,984
	Cemetery fees	304,736	285,550
	Valuation Certificates	146,475	120,668
	Vehicle Registration fees	321,791	295,561
	Sundry income	1,015,914	1,490,867
	Total Other Income	2,450,940	3,287,849
27	FAIR VALUE ADJUSTMENTS		
	Unamortised Discount - Interest	1,455	6,697
	Investment Property	11,430,821	11,247,279
		11,432,276	11,253,976
28	EMPLOYEE RELATED COSTS		
	Salaries	62,369,501	52,540,761
	Overtime	2,102,308	2,081,137
	Standby Allowances	897,679	825,985
	Transport Allowance	4,554,420	4,726,153
	Housing Subsidy	647,257	679,805
	Other Allowance	547,844	614,064
	Bonus	5,013,068	4,297,696
	Group Insurance	1,059,011	900,878
	Medical Aid Contribution	2,824,557	2,623,596
	Pension Fund Contribution	10,326,288	9,158,897
	Unemployment Fund	568,643	515,301
	Leave Reserve Fund	1,777,748	1,246,900
	Workmens Compensation Contributions	588,501	493,883
	Contribution to provision - Task Implementation	-	725,308
	Contribution to provision - Long Service Awards	337,844	373,035
	Contribution to provision - Post Retirement Medical	1,099,294	1,007,524
	Post Retirement Finance Charges	1,761,631	1,789,491
	Total Employee Related Costs	96,475,594	84,600,414
	KEY MANAGEMENT PERSONNEL		
	Municipal Manager is appointed on a 7-year contract and the Director Technical Services on a 5 year contract. Aall other Directors are appointed on 10-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	<i>Remuneration of the Municipal Manager</i>		
	Annual Remuneration	940,004	817,743
	Car Allowance	125,641	125,641
	Contributions to UIF, Medical and Pension Funds	26,010	24,231
	Total	1,091,656	967,615
	<i>Remuneration of the Director Technical Services</i>		
	Annual Remuneration	813,116	705,593
	Car Allowance	120,000	120,000
	Contributions to UIF, Medical and Pension Funds	-	1,497
	Total	933,116	827,090
	<i>Remuneration of the Director Corporate Services</i>		
	Annual Remuneration	745,537	650,082
	Car Allowance	60,000	60,000
	Contributions to UIF, Medical and Pension Funds	127,579	117,008
	Total	933,116	827,090

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

28	EMPLOYEE RELATED COSTS (CONTINUED)	2011 R	2010 R
	<i>Remuneration of the Director Development Services</i>		
	Annual Remuneration	665 214	605 177
	Car Allowance	120 001	120 001
	Contributions to UIF, Medical and Pension Funds	147 902	101 912
	Total	933 116	827 090
	<i>Remuneration of the Director Financial Services</i>		
	Annual Remuneration	881 409	769 535
	Car Allowance	90 000	90 000
	Contributions to UIF, Medical and Pension Funds	-	1 497
	Total	971 409	861 032
	<i>Remuneration of the Director Operational Services</i>		
	Annual Remuneration	645 552	622 771
	Car Allowance	62 428	57 225
	Contributions to UIF, Medical and Pension Funds	130 618	1 373
	Total	838 598	681 369
29	REMUNERATION OF COUNCILLORS		
	Mayor	600 710	572 108
	Deputy Mayor	484 157	424 834
	Speaker	484 157	461 105
	Mayoral Committee Members	1 365 060	1 445 482
	Councillors	3 088 277	2 751 011
	Total Councillors' Remuneration	6 022 361	5 654 540
	<i>In-kind Benefits</i>		
	The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.		
	I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearer's Act and the Minister of Provincial and Local Government's determination, in accordance with this Act.		
	 H S D Wallace Municipal Manager		
30	DEBT IMPAIRMENT		
	Receivables from exchange and non-exchange transactions - Note 20	18 207 628	16 398 694
	Cash and Cash Equivalents - Note 22	430 224	-
	Total Contribution to Debt Impairment	18 637 852	16 398 694
31	DEPRECIATION AND AMORTISATION		
	Property Plant and Equipment	6 658 647	6 223 985
	Capitalised restoration costs (Restated 2010)	231 331	238 625
	Intangible Assets	273 940	181 762
	Total	7 163 918	6 644 372
32	IMPAIRMENTS		
	Property Plant & Equipment (Restated 2010 - Note 38)	294 344	165 960
	Capitalised restoration costs	59 998	18 457
	Investment Property	1 252 750	393 416
	Total	1 607 092	577 833

THEEWATERSKLOOF MUNICIPALITY

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

		2011	2010
		R	R
33	FINANCE CHARGES		
	Long-term Liabilities	9,456,733	8,302,259
	Pension Fund Arrears	103,391	
	Non-current provisions - Note 38	1,373,985	1,036,971
	Total finance charges	10,934,109	9,339,230
34	BULK PURCHASES		
	Electricity	28,781,283	22,206,524
	Water	6,008,796	3,706,834
	Total Bulk Purchases	34,790,079	25,913,358
35	GRANTS AND SUBSIDIES		
	Indigent Subsidies	427,760	484,727
	Total Grants and Subsidies	427,760	484,727
36	GENERAL EXPENSES		
	Audit Fees	2,309,616	1,810,764
	Bank Charges	240,864	216,436
	Clean and Green Project	346,479	374,503
	Computer charges	222,519	90,416
	Fuel Cost	2,824,826	2,375,343
	Insurance	659,629	945,543
	Material and protective clothing	1,307,765	994,565
	Membership fees	464,898	417,355
	Monitoring cost	-	251,865
	Postage	608,790	772,301
	Printing and stationery	594,863	695,602
	Quick Wins	1,374,640	2,085,749
	Rates and taxes	1,075,361	790,295
	Electricity - Escom	4,065,011	2,401,715
	Skills development levy	687,992	598,864
	Telephone	2,019,431	2,008,005
	Training	427,438	453,808
	Travel and subsistence	470,778	525,352
	Water Purification	1,060,873	1,087,650
	Other - Restated 2010	3,227,080	2,439,858
	General Expenses	23,988,853	21,335,989
37	CORRECTION OF ERROR IN TERMS OF GRAP 3		2010
			R
37.01	Capitalised Restoration Cost		
	Balance previously reported		-
	First time recognition of Capitalised Restoration Cost - At Cost- Note 14		3,432,613
	First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 14		(2,510,564)
	Recognition of depreciation for 2009/2010 - Note 14		(238,625)
	Recognition of impairments for 2009/2010 - Note 14		(18,457)
	Total		664,967
37.02	Non-current Provisions		
	Balance previously reported		-
	First time recognition of Landfill Site Provision - Derecognised Assets - Note 37.09		151,583
	First time recognition of Landfill Site Provision - Recognised Assets - Note 37.01		3,432,613
	Recognition of Interest Cost on Non-current Provisions up to 30 June 2009 - Note 37.09		16,764,961
	Recognition of Interest Cost on Non-current Provisions for 2009/2010 - Note 38		1,036,971
	Total		21,386,128

THEEWATERSKLOOF MUNICIPALITY

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

	2010 R
37.03 Intangible assets	
Balance previously reported	1,478,444
Correction of Cost due to the implementation of Directive 4 - Note 16 and 37.09	850,510
Correction Accumulated Amortisation due to the implementation of Directive 4 - Note 16 and 37.09 and 38	(42,851)
Total	<u>2,286,104</u>
 37.04 Investment Properties	
Balance previously reported	29,098,356
Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 15 and 37.05	171,793,054
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 15 and 37.05	16,306,561
Correction of incorrect disposals in 2009/2010 - Deposits treated as disposals - Notes 15 and 38	211,018
Correction of incorrect disposals in 2009/2010 - Deposits treated as disposals - Notes 15 and 38	(57,018)
Revaluation of Investment Property due to the implementation of Directive 4 - Note 15 and 38	11,247,279
Correction of prior year movements on Depreciation due to the implementation of Directive 4 - Note 15 and 38	551,439
Correction of prior year impairments due to the implementation of Directive 4 - Note 15 and 38	(393,416)
Total	<u>228,757,273</u>
 37.05 Property Plant and Equipment	
Balance previously reported	284,533,258
Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 13 and 37.05	(13,159,176)
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 13 and 37.05	78,423,342
Correction of additions due to the implementation of Directive 4 - Note 13 and 38	(16,887,976)
Correction of prior year movements on Depreciation due to the implementation of Directive 4 - Note 13 and 38	13,733,427
Correction of prior year movements on revaluation reserve due to the implementation of Directive 4 - Note 13 and 37.05	6,220,248
Correction of prior year depreciation movements on revaluation due to the implementation of Directive 4 - Note 13 and 38	1,693,319
Correction of prior year impairments due to the implementation of Directive 4 - Note 13 and 38	(165,960)
Housing infrastructure previously expensed - Correction of opening balance 1 July 2009 - Note 37.09	4,244,528
Housing infrastructure retentions not previously recognised - Correction of opening balance 1 July 2009 - Note 37.08	419,863
Housing infrastructure previously expensed - Acc Depreciation - Correction of opening balance 1 July 2009 - Note 37.09	(89,437)
Housing infrastructure previously expensed - Correction of prior year movements - Note 38	4,008,886
Housing infrastructure retentions not previously recognised - Correction of 2009/2010 movements - Note 37.08	211,447
Housing infrastructure previously expensed - Correction of prior year depreciation - Note 38	(89,437)
Total	<u>363,096,331</u>
 37.06 Revaluations Reserve	
Balance previously reported	-
Correction of prior year movements on revaluation reserve due to the implementation of Directive 4 - Note 13 and 37.05	7,913,567
	<u>7,913,567</u>
 37.07 Inventory	
Balance previously reported	97,479
Correction of inventory measurement due to the implementation of Directive 4 - Note 37.09 and 18	1,488,579
	<u>1,586,058</u>
 37.08 Payables from exchange transactions	
Balance previously reported	15,465,490
Tender Fees incorrectly not recognised as income - Note 9 and 38	(229,946)
Reclassification of land sales deposits from Other Income to Deposits for Disposal of Property, Plant and Equipment - Note 38	1,207,171
Retention fees on housing projects not previously recognised - Opening balance - Note 37.05	419,863
Retention fees on housing projects not previously recognised - 2009/2010 movements - Note 37.05	211,447
	<u>17,074,025</u>

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

	2010 R
37.09 Accumulated Surplus/(Deficit)	
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 37.01	(2,510,564)
First time recognition of Landfill Site Provision - Derecognised Assets - Note 37.02	(151,583)
Recognition of Interest Cost on Non-current Provisions up to 30 June 2009 - Note 37.02	(16,764,961)
Reversal of lease asset on a property where the lease terms are in respect of an annual lease but the leases payments were calculated as that of a monthly lease - Notes 21.2 and 37.10	(805,316)
Adjustments to Intangible Assets at cost due to the implementation of Directive 4 - Notes 16 and 37.03	850,510
Adjustments to Accumulated Amortisation on Intangible Assets at cost due to the implementation of Directive 4 - Notes 16 and 37.03	(37,428)
Correction of Opening Balance on Cost (Investment Property) due to the implementation of Directive 4 - Note 15 and 37.04	171,793,054
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 15 and 37.04	16,306,561
Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 13 and 37.05	(13,159,176)
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 13 and 37.05	78,423,342
Correction of inventory measurement due to the implementation of Directive 4 - Note 37.07 and 18	1,488,579
Provision for impairment of trade receivables from exchange transactions not previously charged against the VAT Liability - 1 July 2009 - Note 37.12	5,820,906
Housing infrastructure previously expensed - Correction of opening balance 1 July 2009 - Note 37.05	4,244,528
Housing infrastructure previously expensed - Acc Depreciation - Correction of opening balance 1 July 2009 - Note 37.05	(89,437)
Total	<u>245,409,014</u>
 37.10 Operating lease asset	
Balance previously reported	1,603,760
Reversal of lease asset on a property up to 30 June 2009 where the lease terms are in respect of an annual lease but the leases payments were calculated as that of a monthly lease - Notes 21.2 and 37.09	(805,316)
Reversal of lease asset on a property where the lease terms are in respect of an annual lease but the leases payments were calculated as that of a monthly lease - 2009/2010 - Notes 21.2 and 38	(682,282)
Total	<u>116,163</u>
 37.11 Operating lease liability	
Balance previously reported	8,295
Lease contract extended for a further period of 2 years not previously recognised - 2009/2010 - Notes 21.1 and 38	8,962
Total	<u>17,257</u>
 37.12 Taxes	
Balance previously reported (liability)	(8,732,487)
Provision for impairment of trade receivables from exchange transactions not previously charged against the VAT Liability - 1 July 2009 - Note 37.09	5,820,906
Provision for impairment of trade receivables from exchange transactions not previously charged against the VAT Liability - 2009/2010 - Note 38	1,878,038
Total	<u>(1,033,543)</u>

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

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STATEMENT OF FINANCIAL PERFORMANCE

Balance previously reported

	2010
	R
	9,118,430
Recognition of Depreciation for 2009/2010 - Note 37.01	(238,625)
Recognition of Impairments for 2009/2010 - Note 37.01	(18,457)
Recognition of Interest Cost on Non-current Provisions for 2009/2010 - Note 37.02	(1,036,971)
Reversal of lease asset on a property where the lease terms are in respect of an annual lease but the leases payments were calculated as that of a monthly lease - Notes 21.2 and 37.10. Effect on Rent of facilities and equipment	(682,282)
Lease contract extended for a further period of 2 years not previously recognised - 2009/2010 - Notes 21.1 and 37.11	(8,962)
Reversal of depreciation on Intangible Assets due to the implementation of Directive 4 - Notes 16 and 37.03	(5,423)
Correction of prior year movements on Depreciation due to the implementation of Directive 4 - Note 15 and 37.04	551,439
Correction of prior year impairments due to the implementation of Directive 4 - Note 15 and 37.04	(393,416)
Correction of prior year fair value adjustment due to the implementation of Directive 4 - Note 15 and 37.04	11,247,279
Correction of additions due to the implementation of Directive 4 - Note 13 and 37.05	(16,887,976)
Correction of prior year movements on Depreciation due to the implementation of Directive 4 - Note 13 and 37.05	13,733,427
Correction of incorrect disposals in 2009/2010 - Deposits treated as disposals - Notes 15 and 37.04	211,018
Reclassification of land sales from Other Income to Gain on Disposal of Investment Property - Effect on Other income	(57,018)
Reclassification of land sales deposits from Other Income to Deposits for Disposal of Property, Plant and Equipment - Note 37.08	(1,207,171)
Reclassification of depreciation from Gain on Disposal of Property, Plant and Equipment - Effect on Gain on Disposal of Property, Plant and Equipment	53,024
Reclassification of depreciation from Gain on Disposal of Property, Plant and Equipment - Effect on Depreciation	(53,024)
Correction of prior year impairments due to the implementation of Directive 4 - Note 15 and 37.05	(165,960)
Tender Fees incorrectly not recognised as income - Note 9 and 37.08	229,946
Provision for impairment of trade receivables from exchange transactions not previously charged against the VAT Liability - 1 July 2009 - Note 37.12	1,878,038
Housing infrastructure previously expensed - Correction of opening balance 1 July 2009 - Note 37.05	4,008,886
Housing infrastructure previously expensed - Acc Depreciation - Correction of opening balance 1 July 2009 - Note 37.05	(89,437)

Total

20,186,766

39

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

	2011	2010
	R	R
Surplus/(Deficit) for the year	27,529,536	20,186,766
Adjustments for:		
Depreciation	6,889,978	6,462,611
Impairments	1,607,092	577,833
Amortisation of Intangible Assets	273,940	181,762
(Gain) / Loss on disposal of property, plant and equipment	788,977	(784,712)
Contribution from/to employee benefits- non current	3,500,351	3,170,050
Contribution from/to employee benefits - non-current - expenditure incurred	(990,318)	(963,418)
Contribution from/to employee benefits - non-current - actuarial gains	4,910,343	70,985
Contribution to employee benefits – current	3,245,719	3,821,102
Contribution to employee benefits – current - expenditure incurred	(1,892,625)	(846,965)
Fair Value Adjustments - Property, Plant and Equipment	(11,430,821)	(11,247,279)
Contribution to provisions – bad debt	20,837,680	18,276,732
Contribution to provisions – bad debt - Cash and Cash Equivalents reduced	(430,224)	-
Impairment written off	(14,941,040)	(5,123,505)
Operating lease income accrued	(68,537)	(70,226)
Operating lease expenses accrued	(13,806)	15,572
Changes in Non-current provisions - Unwinding of interest	1,373,985	1,036,971
Operating Surplus/(Deficit) before changes in working capital	41,190,230	34,764,279
Changes in working capital	(7,632,684)	(21,699,908)
Increase/(Decrease) in Trade and Other Payables	4,496,748	(1,757,873)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(4,819,843)	(1,279,587)
Increase/(Decrease) in Unspent Public Contributions	85,632	-
Increase/(Decrease) in Taxes	1,200,679	(1,470,433)
(Increase)/Decrease in Inventory	(297,811)	(11,849)
(Increase)/Decrease in Trade Receivables from exchange transactions	(9,730,620)	(18,539,956)
(Increase)/Decrease in Other Receivables from non-exchange transactions	1,585,248	1,389,328
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(152,717)	(29,538)
Cash generated/(absorbed) by operations	33,557,547	13,064,371

THEEWATERSKLOOF MUNICIPALITY

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

40	CASH AND CASH EQUIVALENTS		2011 R	2010 R	
	Cash and cash equivalents included in the cash flow statement comprise the following:				
	Call Investments Deposits - Note 22		15,394,461	4,987,046	
	Cash Floats - Note 22		6,400	5,000	
	Bank - Note 22		7,222,673	2,369,704	
	Total cash and cash equivalents		22,623,534	7,361,750	
41	RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES				
	Cash and Cash Equivalents - Note 40		22,623,534	7,361,750	
	Less:		22,623,534	7,361,750	
			(8,115,712)	(7,148,626)	
	Unspent Committed Conditional Grants - Note 10		(2,328,784)	(7,148,626)	
	Less: Unspent loans		(5,786,928)	-	
	Resources available for working capital requirements		14,507,822	213,124	
42	UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION				
	Long-term Liabilities - Note 3		105,400,285	82,815,546	
	Used to finance property, plant and equipment - at cost		(111,187,213)	89,669,445	
			(5,786,928)	(6,853,899)	
	Cash set aside for the repayment of long-term liabilities		-	6,853,899	
	Cash invested for repayment of long-term liabilities		(5,786,928)	-	
	Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.				
43	BUDGET COMPARISONS				
43.1	Operational	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
	Revenue by source				
	Property Rates	41,130,046	41,000,000	130,046	0%
	Government Grants and Subsidies	101,395,347	103,449,627	(2,054,280)	(2%)
	Public Contributions and Donations	859,235	-	859,235	100%
	Third Party Payments	414,278	-	414,278	100%
	Fines	3,627,434	4,073,300	(445,866)	(11%)
	Fair Value Adjustments	11,432,276	-	11,432,276	100%
	Service Charges	108,733,355	121,485,744	(12,752,389)	(10%)
	Rental of Facilities and Equipment	1,351,701	1,780,000	(428,299)	(24%)
	Interest Earned - external investments	1,664,552	1,700,000	(35,448)	(2%)
	Interest Earned - outstanding debtors	7,389,348	8,000,000	(610,652)	(8%)
	Licences and Permits	2,612,474	75,000	2,537,474	3383%
	Agency Services	1,778,155	1,730,000	48,155	3%
	Other Income	2,450,940	39,301,787	(36,850,847)	(94%)
		284,839,141	322,595,458	(37,756,317)	(12%)
	Expenditure by nature				
	Employee Related Costs	96,475,594	92,131,805	(4,343,789)	5%
	Remuneration of Councillors	6,022,360	6,082,000	59,640	(1%)
	Debt Impairment	18,637,852	7,158,499	(11,479,353)	160%
	Depreciation and Amortisation	7,163,918	22,135,947	14,972,029	(68%)
	Impairments	1,607,092	-	(1,607,092)	(100%)
	Repairs and Maintenance	14,054,054	16,990,800	2,936,746	(17%)
	Actuarial losses	4,910,343	-	(4,910,343)	(100%)
	Finance Charges	10,934,109	10,855,905	(78,204)	1%
	Bulk Purchases	34,790,079	34,128,718	(661,361)	2%
	Contracted services	9,949,008	14,005,931	4,056,923	(29%)
	Grants and Subsidies	427,760	500,000	72,240	(14%)
	Operating Grant Expenditure	27,559,606	40,000,000	12,440,394	(31%)
	General Expenses	23,988,853	38,074,131	14,085,278	(37%)
	Loss on disposal of Property,Plant and Equipment	788,977	-	(788,977)	(100%)
	Fair Value Adjustments	-	(8,470)	8,470	(100%)
		257,309,605	282,055,266	24,762,601	(9%)
	Net Surplus for the year	27,529,536	40,540,192	(12,993,716)	(32%)

THEEWATERSKLOOF MUNICIPALITY

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

43.2	Expenditure by Vote	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
	Executive & Council	33,676,844	40,693,578	(7,016,734)	(17%)
	Finance & Administration	52,188,409	62,437,869	(10,249,460)	(16%)
	Planning & Development	12,536,583	15,198,544	(2,661,961)	(18%)
	Community & Social Services	4,842,918	5,100,446	(257,528)	(5%)
	Housing	3,713,888	4,774,329	(1,060,441)	(22%)
	Public Safety	10,865,176	10,748,530	116,646	1%
	Sport & Recreation	7,658,378	8,164,059	(505,681)	(6%)
	Environmental Protection	170,202	189,985	(19,783)	(10%)
	Waste Management	21,258,036	17,026,383	4,231,653	25%
	Waste Water Management	17,454,080	18,378,600	(924,520)	(5%)
	Road Transport	22,859,907	28,096,880	(5,236,973)	(19%)
	Water	27,951,806	29,164,134	(1,212,328)	(4%)
	Electricity	41,647,714	41,716,861	(69,147)	(0%)
	Other	485,664	373,538	112,126	30%
		257,309,605	282,063,736	(24,754,131)	(9%)

43.3	Capital expenditure by vote	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
	Executive & Council	721,168	800,441	(79,273)	(10%)
	Finance & Administration	1,480,869	3,460,835	(1,979,966)	(57%)
	Housing	9,602,493	29,343,918	(19,741,425)	(67%)
	Sport & Recreation	683,020	691,688	(8,668)	(1%)
	Waste Water Management	4,940,829	11,564,387	(6,623,558)	(57%)
	Road Transport	9,179,456	13,602,355	(4,422,899)	(33%)
	Water	14,134,948	16,577,195	(2,442,247)	(15%)
	Electricity	3,880,230	6,002,212	(2,121,982)	(35%)
		44,623,013	82,043,031	(37,420,018)	(46%)

Details of material variances

The main reason for the poor spending of capital is the budget for housing of R29 343 918 which was incorrectly placed under capital instead of operating. If the budget was placed under operating expenditure the actual spending on capital projects will be 66% instead of 54%.

44	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2011 R	2010 R
44.1	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure:		
	Opening balance	8,780,520	-
	Unauthorised expenditure current year - capita	-	272,445
	Unauthorised expenditure current year - operating	4,460,425	8,508,075
	Written off by council	(8,780,520)	-
	Unauthorised expenditure awaiting authorisation	4,460,425	8,780,520

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>None</i>

The main reasons for the unauthorised expenditure are the insufficient budget for non-cash transactions such as additional provision for doubtful debts and additional depreciation on fixed assets.

44.2	<u>Fruitless and wasteful expenditure</u>		
	Reconciliation of fruitless and wasteful expenditure:		
	Opening balance	118,071	118,071
	Written off by council	(118,071)	-
	Fruitless and wasteful expenditure awaiting further action	-	118,071

Incident	Disciplinary steps/criminal proceedings
<i>Interest paid on late payment</i>	<i>None</i>

	118,071	118,071
	118,071	118,071

THEEWATERSKLOOF MUNICIPALITY

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

	2011 R	2010 R
44.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	1,699,998	-
Irregular expenditure current year	446,357	1,699,998
Irregular expenditure awaiting further action	2,146,355	1,699,998
Incident	Disciplinary steps/criminal proceedings	
<i>Non-compliance with Supply Chain Management Policy - 3 Quotations not obtained - 2009/2010 = R 1 365 104 and 2010/2011 = R 306 087</i>	<i>None</i>	
<i>Acquisition from persons employed in the State - A Director of Red Ants is a Director at Overstrand Municipality - 2009/2010 = R 334 894.10 and 2010/2011 = R 140 270.38</i>	<i>None</i>	
44.4 Material Losses		
Water distribution losses		
- Kilolitres purified	4,134,910	3,104,111
- Kilolitres lost during distribution	368,125	482,209
- Percentage lost during distribution	8.90%	15.53%
Electricity distribution losses		
- Units purchased (Kwh)	62,214,383	61,563,377
- Units lost during distribution (Kwh)	5,095,254	5,042,711
- Percentage lost during distribution	8.19%	8.19%
45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
45.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	436,702	401,377
Amount paid - current year	(436,702)	(401,377)
Balance unpaid (included in creditors)	-	-
45.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year audit fee	2,363,731	1,810,764
External Audit - Auditor-General	2,309,616	1,810,764
Audit Committee	54,115	-
Amount paid - current year	(2,363,731)	(1,810,764)
Balance unpaid (included in creditors)	-	-
45.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	1,726,525	-
Amounts received - current year	4,956,427	-
Amounts received - previous years	(1,726,525)	-
Amounts claimed - current year	(5,514,577)	-
Closing balance - Receivable	(558,150)	-
VAT	1,205,370	2,406,049
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
Vat in suspense due to cash basis of accounting		
Input VAT	22,050,589	-
Output VAT	(16,922,274)	-
Receivable	5,128,314	-
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.		

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

	2011 R	2010 R
45.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	12,223,940	9,624,495
Amount paid - current year	(12,223,940)	(9,624,495)
Balance unpaid (included in creditors)	-	-
45.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	22,057,715	18,945,162
Amount paid - current year	(22,057,715)	(18,945,162)
Balance unpaid (included in creditors)	-	-
45.6 Councillor's arrear consumer accounts - [MFMA 125 (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
Damon M	254	5,397
Mazembe V C	-	5,965
Wood C	5,933	153
Pheiffer JJJ	-	522
S Baird	565	
L M de Bruyn	738	
C T J Simmers	902	
C Booysen-neft	7,031	
Appel M	-	1,850
Total Councillor Arrear Consumer Accounts	15,423	13,887

45.7 Deviations approved in terms of the Supply Chain Management Policy

Deviations from Supply Chain Management Regulations were approved by the Accounting Officer on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Corporate Services	167,959	198,371	262,800	
Development Services	119,140	270,337	238,500	-
Financial Services	76,666	120,826	2,050,776	-
Technical Services	254,498	482,919	214,710	
Operational Services	1,217,126	719,607	601,773	-
	1,835,389	1,792,060	3,368,559	-

The major deviations approved are as follows:

Incident	Amount R
<i>Appointment of W M De Kock & Associates for the compilation of a Land and Buildings Register and the valuation of all the land and buildings belonging to the municipality.</i>	266,958
<i>Appointment of Elster Kent Metering for the supply of meters as it is the aim to standardise all meters and the supplier previously supplied thye same meters.</i>	1,483,818
<i>Apppointment of Deloitte Consulting to complete the remaining TASK Evaluation forms, since the firm previuosly completed the other forms.</i>	601,773
<i>Appointment of Mubesko Africa to unbundle the infrastructure assets for the past 3 years and compile the Financial Statements, as the firm previously compiled the financial statements and can do it in a relative short time period.</i>	300,000

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

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

Section 126(1) of the MFMA requires municipalities to submit the financial Statements within 2 months after the end of the financial year. The municipality submitted its financial statements 2 days late. The reason for this late submission is mainly as a result of the huge implications of the implementation of GRAP 16 and GRAP 17.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

	2011 R	2010 R
46 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	29,111,091	15,854,763
Infrastructure	29,111,091	15,854,763
Total	29,111,091	15,854,763
 This expenditure will be financed from:		
External Loans	6,237,546	6,873,608
Government Grants	22,873,545	8,981,156
	29,111,091	15,854,763

47 **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	(827,832)	(377,294)
0.5% (2010 - 0.5%) Decrease in interest rates	413,916	377,294

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

47

FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 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	25.69%	23,129,545	22.26%	18,821,942
<u>Exchange Receivables</u>				
Services	74.31%	66,899,093	77.74%	65,740,281
	100.00%	90,028,638	100%	84,562,223

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

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

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

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	45,406	50,101
Receivables from exchange transactions	22,370,459	16,701,860
Receivables from non-exchange transactions	4,304,052	2,855,380
Cash and Cash Equivalents	22,623,534	7,361,750
Unpaid conditional grants and subsidies	182,255	29,538
	<u>49,525,706</u>	<u>26,998,629</u>

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

47 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

48	FINANCIAL INSTRUMENTS		2011 R	2010 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
48.1	Financial Assets	Classification		
	Long-term Receivables			
	Officials Housing Loans	Financial instruments at amortised cost	52,414	56,086
	Rates (Re-negotiated terms)	Financial instruments at amortised cost	-	2,477
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	22,370,459	16,701,860
	Receivables from non-exchange transactions	Financial instruments at amortised cost	4,304,052	2,855,380
	Other Receivables			
	Government Subsidies and Grants	Financial instruments at amortised cost	182,255	29,538
	Current Portion of Long-term Receivables			
	Officials Housing Loans	Financial instruments at amortised cost	4,241	3,844
	Sport Club Loans	Financial instruments at amortised cost	-	2,477
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	15,394,461	4,987,046
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	7,222,673	2,369,704
	Cash Floats and Advances	Financial instruments at amortised cost	6,400	5,000
			49,536,955	27,013,411
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		49,536,955	27,013,411
	At amortised cost		49,536,955	27,013,411
48.2	Financial Liability	Classification		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	90,709,893	67,354,932
	Capitalised Lease Liability	Financial instruments at amortised cost	-	305,914
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	10,774,673	7,393,474
	Interest portion of long term liabilities	Financial instruments at amortised cost	974,687	808,985
	Retentions	Financial instruments at amortised cost	5,483,602	3,577,361
	Deposits	Financial instruments at amortised cost	598,903	793,483
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	2,328,784	7,148,626
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	5,223,195	4,577,571
	Capitalised Lease Liability	Financial instruments at amortised cost	48,289	133,027
			116,142,026	92,093,373
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		116,142,026	92,093,373

THEEWATERSKLOOF MUNICIPALITY

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

49	EVENTS AFTER THE REPORTING DATE	2011	2010
		R	R

The municipality has no events after reporting date during the financial year ended 2010/2011.

50 IN-KIND DONATIONS AND ASSISTANCE

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

51 PRIVATE PUBLIC PARTNERSHIPS

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

52 CONTINGENT LIABILITY

None

53 RELATED PARTIES

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

53.1 Related Party Transactions

	Rates - Levied 1 Jul 10 - 30 Jun 11	Service Charges - Levied 1 Jul 10 - 30 Jun 11	Other - Levied 1 Jul 10 - 30 Jun 11	Outstanding Balances 30 June 2011
Year ended 30 JUNE 2011				
Councillors	22,889	149,443	41,493	89,874
L De Bruyn	721	26	-	738
C Simmers	-	902	-	902
M Damon	-	254	-	254
C Wood	-	5,933	-	5,933
S Baird	64	501	-	565
C Booysen-Neft	1,530	-	-	212
J Nellie	-	3,588	-	-
C November	952	9,546	-	758
K I Papier	1,045	16,914	-	1,553
C Punt	3,648	9,953	-	1,016
M Tshaka	-	3,175	-	247
C Vosloo	6,008	14,703	-	1,463
D Abrahams	1,048	20,465	-	4,044
G Carelse	2,548	4,364	119	9,465
A Cupido	605	4,473	39,844	40,140
N de Wet	-	10,874	-	331
P de Wet	450	3,621	-	11,415
J Hendricks	3,497	2,821	185	524
G Koegelenber	705	27,130	-	3,250
M Nongxaza	-	5,353	1,345	6,151
I Sileku	-	1,937	-	666
U Sipunzi	68	2,910	-	247
Senior Management		-	-	-
Jan Barnard	4,483	9,447	-	1,156
Honey Gxoyiya	-	57,635	-	3,913

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.

53.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 17 to the Annual Financial Statements.

THEEWATERSKLOOF MUNICIPALITY

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

53	RELATED PARTIES (CONTINUED)	2011 R	2010 R
53.3	Compensation of key management personnel		
	The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.		
53.4	Other related party transactions		
	The following purchases were made during the year where Councillors or staff have an interest		
	<i>Mr R. Theunissen – painter - Brother of Councillor D.C. Ruiters</i>		<u>67,100</u>
	<i>Sinking Ships Trading 5 - T/a J&A Elektriese Werke - Decorative streetlights - Son in law of Deputy Director : Electrical</i>	<u>365,793</u>	
54	TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES		
	The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.		
54.1	GRAP 19 - Provisions, contingent liabilities and contingent Assets:		2010 R
	The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:		
	Refuse tip-sites financed by way of a provision		<u>21,386,128</u>
54.2	GRAP 17 - Property, Plant and Equipment		
	Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:		
	Property, Plant and Equipment		(23,826,904)
	Accumulated depreciation on Property, Plant and Equipment		92,156,769
	Accumulated impairments		(165,960)
	Total not previously recognised now restated retrospectively		<u>68,329,865</u>
54.3	GRAP 102 - Intangible Assets		
	Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:		
	Computer software;		850,510
	Accumulated amortisation on computer software		(42,851)
	Total not previously recognised now restated retrospectively		<u>807,660</u>
54.4	GRAP 16 - Investment Properties		
	Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively:		
	Investment Properties at fair value		183,040,333
	Accumulated depreciation on Investment Properties		16,858,000
	Accumulated impairments		(393,416)
			<u>199,504,917</u>
54.5	GRAP 12 - Inventories		
	Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively:		
	Emergency materials		<u>1,488,579</u>

APPENDIX A - Unaudited
THEEWATERSKLOOF 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
LONG-TERM LOANS									
Stock Loans									
DBSA - 20 year	9.85%	103313.1	31/03/2029	22,082,960	(22,082,960)	-	-	-	-
DBSA - 15 year	9.97%	103313.2	31/03/2024	6,295,000	(6,295,000)	-	-	-	-
DBSA - 10 year	10.00%	103313.3	31/03/2019	1,000,000	(1,000,000)	-	-	-	-
DBSA - 7 year	9.95%	103313.4	31/03/2016	3,800,000	(3,800,000)	-	-	-	-
DBSA	10.06%	Loan No. 102275/1	31/03/2009	11,865,299	-	11,865,299	-	-	11,865,299
		Loan No. 101487/1							
DBSA 9.46% 20 year	9.46%	Electricity	31/12/2024		7,873,758	7,873,758	-	-	7,873,758
		Loan No. 101487/4							
DBSA 9.49% 5 year	9.49%	Admin/Corp/Refuse	31/12/2009		126,242	126,242	-	-	126,242
Total Long-term Loans				45,043,259	(25,177,960)	19,865,299	-	-	19,865,299
ANNUITY LOANS									
DBSA 10.95% 10 year	10.95%	Infrastructure Programs 101178/1	30/06/2014	4,537,704	-	4,537,704	-	(960,455)	3,577,249
		Loan No. 101487/1							
DBSA 9.46% 20 year	9.46%	Electricity	31/12/2024	7,873,758	(7,873,758)	-	-	-	-
		Loan No. 101487/4							
DBSA 9.49% 5 year	9.49%	Admin/Corp/Refuse	31/12/2009	126,242	(126,242)	-	-	-	-
DBSA	10.74%	Loan No. 102807/1	30/06/2013	11,916,345	-	11,916,345	-	(594,298)	11,322,047
DBSA	11.44%	Loan No. 103108/1 (Mun Buildings)	31/12/2018	10,012,691	-	10,012,691	-	(202,241)	9,810,450
ABSA	11.35%	11794	31/12/2014	209,781	-	209,781	-	(38,055)	171,726
ABSA	12.00%	(Roads) 11793	31/12/2010	107,698	-	107,698	-	(107,698)	-
ABSA	11.35%	(Sewerage) 11792 (Water Service)	31/12/2014	101,265	-	101,265	-	(18,370)	82,895
ABSA	12.00%	11790	31/12/2010	22,713	-	22,713	-	(22,713)	-
		(Electricity, Water, Sewerage) 10858/1							
ABSA	11.14%	(Sewerage) 10858/2	31/12/2018	1,289,194	-	1,289,194	-	(97,566)	1,191,628
ABSA	11.14%	(Sewerage) 10858/2	31/12/2010	123,656	-	123,656	-	(9,159)	114,497
DBSA 10.05% 30 year	10.05%	(Sewerage) 13050	31/12/2013	176,472	-	176,472	-	(44,428)	132,045
DBSA 15.30% 15 year	15.30%	(Electricity) 13062	31/12/2008	3	-	3	-	-	3
ABSA	11.35%	(Sewerage) 13051	31/12/2014	50,211	-	50,211	-	(9,108)	41,102
ABSA	11.35%	(Sewerage) 13052 (Municipal Buildings)	31/12/2014	41,980	-	41,980	-	(7,615)	34,364
ABSA	12.00%	13057 (Municipal Buildings)	31/12/2010	5,700	-	5,700	-	(5,701)	-
ABSA	11.79%	13060	31/12/2011	18,477	-	18,477	-	(11,962)	6,515
ABSA	12.25%	(Electricity) 13063 (Water Service)	31/12/2009	-	-	-	-	-	-
ABSA	11.79%	13056 (Water Service)	31/12/2011	13,465	-	13,465	-	(8,717)	4,748
ABSA	12.00%	13064	31/12/2010	11,406	-	11,406	-	(11,406)	-
DBSA 16.50% 10 year	16.50%	(Roads) 13298	31/12/2009	(21)	-	(21)	-	-	(21)
Sanlam 10% 20 year	10.00%	40513100.00%	31/12/2010	4,450	-	4,450	-	(4,210)	241
		(Sewerage) 104013							
ABSA	11.27%	(12704/101) (Water Service)	31/12/2015	350,012	-	350,012	-	(49,004)	301,007
ABSA	11.27%	105021(12705/101) 13343(16.50%)	31/12/2015	144,285	-	144,285	-	(20,201)	124,084
DBSA 16.50% 20 year	16.50%	(Electricity) Electricity (15.75%)	31/12/2019	166,046	-	166,046	-	(8,153)	157,893
DBSA 15.75% 20 year	15.75%	(13705/102) LALF 15159.8	30/06/2020	82,684	-	82,684	-	(3,820)	78,864
ABSA	12.00%	(17.55%)(11806/101) Network - Elec.(15.00%)	31/12/2010	24,647	-	24,647	-	(24,647)	-
ABSA	11.44%	(11040/102)	31/12/2013	108,637	-	108,637	-	(26,854)	81,783
DBSA - 20 year	9.85%	103313.1	31/03/2029	-	22,082,960	22,082,960	-	(429,001)	21,653,959
DBSA - 15 year	9.97%	103313.2	31/03/2024	-	6,295,000	6,295,000	-	(221,919)	6,073,081
DBSA - 10 year	10.00%	103313.3	31/03/2019	-	1,000,000	1,000,000	-	(72,945)	927,055
DBSA - 7 year	9.95%	103313.4	31/03/2016	-	3,800,000	3,800,000	-	(490,332)	3,309,668
		LALF 15159.9							
ABSA	12.00%	(11807/101) (Water)	31/12/2010	79,900	-	79,900	-	(79,900)	-

APPENDIX A - Unaudited
THEEWATERSKLOOF 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
STANDARD BANK	11.67%	72,480,009		-	-	-	1,000,000	(45,124)	954,876
STANDARD BANK	11.72%	72,479,981		-	-	-	3,000,000	(73,528)	2,926,472
DBSA	11.06%	103817/3		-	-	-	11,286,900	(87,493)	11,199,407
STANDARD BANK	12.22%	272,400,572		-	-	-	8,209,060	-	8,209,060
ABSA BANK	10.45%	406,885,872		-	-	-	3,000,000	-	3,000,000
Total Annuity Loans				37,599,400	25,177,960	62,777,360	26,495,960	(3,786,623)	85,486,698
LEASE LIABILITY									
Bizhub B250 photo copier				19,101	-	19,101	-	(14,031)	5,070
AR5316 photo copier				738	-	738	-	(738)	-
AR5316 photo copier				738	-	738	-	(738)	-
Bizhub B250 photo copier				11,211	-	11,211	-	(11,211)	-
Bizhub B163 photo copier				10,749	-	10,749	-	(7,900)	2,849
Bizhub B250 photo copier				11,211	-	11,211	-	(11,211)	-
Bizhub C451 photo copier				47,017	-	47,017	-	(34,537)	12,480
Bizhub B163 photo copier				5,918	-	5,918	-	(5,918)	-
Bizhub B250 photo copier				16,484	-	16,484	-	(12,114)	4,370
Bizhub C203 photo copier				38,971	-	38,971	-	(18,300)	20,671
Bizhub B163 photo copier				10,749	-	10,749	-	(7,900)	2,849
Total Lease Liabilities				172,887	-	172,887	-	(124,598)	48,289
TOTAL EXTERNAL LOANS				82,815,546	-	82,815,546	26,495,960	(3,911,222)	105,400,285

APPENDIX B - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
MUNICIPAL SUB-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
1,828	4,207,455	(4,205,627)	Admin Housing and Informal Settlements	-	3,713,888	(3,713,888)
272,800	2,397,618	(2,124,818)	Admin. : Technical Services	257,452	7,060,637	(6,803,185)
-	-	-	Admin: Operational Services	-	4,440,051	(4,440,051)
-	3,144,304	(3,144,304)	Admin: Planning and Development	-	3,018,400	(3,018,400)
820,116	403,764	416,352	Building Control	639,568	386,293	253,275
285,550	356,968	(71,418)	Cemeteries	304,736	434,891	(130,155)
-	513,417	(513,417)	Civil Protection & Fire Protection	-	368,856	(368,856)
1,568,778	3,378,776	(1,809,998)	Council's General Expenses	1,721,685	14,207,440	(12,485,755)
2,174,820	14,819,318	(12,644,498)	Directorate Corporate Services	1,074,979	7,968,716	(6,893,737)
38,463,685	35,744,444	2,719,241	Electricity Distribution	47,284,770	41,647,714	5,637,056
35,096,710	14,901,276	20,195,434	Financial Services	41,427,086	13,968,825	27,458,261
273,314	2,508,069	(2,234,755)	Human Resources	228,684	1,550,948	(1,322,264)
932,353	3,265,024	(2,332,671)	IDP / LED	635,156	3,719,392	(3,084,236)
-	1,678,668	(1,678,668)	Information Technology	-	792,068	(792,068)
-	781,668	(781,668)	Internal Audit	-	905,716	(905,716)
-	1,081,921	(1,081,921)	Law Enforcement	2,900	1,815,087	(1,812,187)
557,705	4,457,833	(3,900,128)	Library	744,378	4,408,027	(3,663,649)
-	255,732	(255,732)	Mechanical Workshop	-	485,664	(485,664)
-	-	-	Municipal Manager	859,235	3,223,896	(2,364,661)
-	1,434,412	(1,434,412)	Nature reserve	5,883	1,277,211	(1,271,328)
3,955	173,456	(169,501)	Other	25,129	433,420	(408,291)
-	5,490,088	(5,490,088)	Parks and Recreation	18,795	5,073,070	(5,054,275)
-	71,104	(71,104)	Pollution Control	-	170,202	(170,202)
252,000	386,913	(134,913)	Proclaimed Main Roads	60,000	234,183	(174,183)
-	765,348	(765,348)	Property Manangement	11,628	2,099,702	(2,088,074)
38,737,536	207,441	38,530,095	Property Rates	41,133,541	1,135,222	39,998,319
(2,940,740)	8,407,718	(11,348,458)	Property Services	13,658,959	7,108,726	6,550,233
-	20,271,384	(20,271,384)	Roads	-	19,178,598	(19,178,598)
14,879,034	14,063,680	815,354	Sewerage	15,397,344	11,728,832	3,668,512
-	3,919,717	(3,919,717)	Sewerage Purification	-	3,585,940	(3,585,940)
1,182,727	2,311,605	(1,128,878)	Sewerage Tanker Services	1,303,567	2,139,308	(835,741)
16,735,666	21,610,357	(4,874,691)	Solid Waste	18,522,752	21,258,036	(2,735,284)
16,909	932,458	(915,549)	Sports Grounds	16,342	672,589	(656,247)
52,486,168	23,137,952	29,348,216	Subsidies and Grants	53,434,561	23,503,008	29,931,553
86,929	541,941	(455,012)	Swimming pool & Camping Site	46,008	635,508	(589,500)
380,504	2,312,064	(1,931,560)	Town Planning	424,360	2,523,819	(2,099,459)
3,642,515	7,624,830	(3,982,315)	Traffic Services	3,738,751	8,247,813	(4,509,062)
4,394,917	3,107,144	1,287,773	Vehicle Licensing and Testing	4,634,604	3,447,126	1,187,478
34,263,711	27,226,628	7,037,083	Water Distribution	36,437,311	27,951,806	8,485,505
244,569,490	237,892,495	6,676,995	Sub Total	284,050,164	256,520,628	27,529,536
-	-	-		-	-	-
244,569,490	237,892,495	6,676,995	Total	284,050,164	256,520,628	27,529,536

APPENDIX C - Unaudited
THEEWATERSKLOOF 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
4,016,398	20,595,712	(16,579,314)	Executive & Council	3,054,116	33,676,844	(30,622,728)
123,652,988	51,622,792	72,030,196	Finance & Administration	150,742,066	52,188,409	98,553,657
2,132,973	9,890,504	(7,757,531)	Planning & Development	1,710,712	11,747,606	(10,036,894)
843,255	4,814,801	(3,971,546)	Community & Social Services	1,049,114	4,842,918	(3,793,804)
1,828	4,207,455	(4,205,627)	Housing	-	3,713,888	(3,713,888)
3,646,470	9,393,624	(5,747,154)	Public Safety	3,766,780	10,865,176	(7,098,396)
103,838	8,398,899	(8,295,061)	Sport & Recreation	87,028	7,658,378	(7,571,350)
-	71,104	(71,104)	Environmental Protection	-	170,202	(170,202)
16,735,666	20,316,304	(3,580,638)	Waste Management	18,522,752	21,258,036	(2,735,284)
16,061,761	21,589,055	(5,527,294)	Waste Water Management	16,700,911	17,454,080	(753,169)
4,646,917	23,765,441	(19,118,524)	Road Transport	4,694,604	22,859,907	(18,165,303)
34,263,711	27,226,628	7,037,083	Water	36,437,311	27,951,806	8,485,505
38,463,685	35,744,444	2,719,241	Electricity	47,284,770	41,647,714	5,637,056
-	255,732	(255,732)	Other	-	485,664	(485,664)
244,569,490	237,892,495	6,676,995	Total	284,050,164	256,520,628	27,529,536

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

Grant Description	Balance 1 JULY 2010	Grants Received	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2011
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS				
	R	R	R	R
<u>National Government Grants</u>				
Equitable Share	-	43,654,220	(43,654,220)	-
EPWP	694,600	989,000	(255,961)	1,427,639
Municipal Infrastructure Grant	4,905,654	15,400,000	(20,305,654)	-
MSIG Funds	-	1,200,000	(1,063,542)	136,458
Finance Management Grant	279,773	1,000,000	(923,740)	356,033
Total National Government Grants	5,880,027	62,243,220	(66,203,117)	1,920,130
<u>Provincial Government Grants</u>				
Sportsfield : Caledon	193,081	-	(193,081)	(0)
Sportfield: Grabouw	498,607	-	(498,607)	(0)
Spatial Development Framework	30,469	-	-	30,469
Botrivier Development Contribution	38,889	-	-	38,889
CDW's	321,169	175,000	(443,685)	52,484
Project Reparation	69,400	-	-	69,400
Housing	13,919	32,241,045	(32,437,219)	(182,255)
Township Development: Dennekruin	17,797	-	(17,797)	-
Multi Purpose Bus	62,102	-	-	62,102
Main Roads Subsidy	-	60,000	(60,000)	-
Library Subsidy	-	678,000	(678,000)	-
Total Provincial Government Grants	1,245,432	33,154,045	(34,328,388)	71,089
<u>Other Grant Providers</u>				
DBSA GIS	23,167	-	-	23,167
DBSA Local Economic Development	(29,538)	796,836	(635,156)	132,142
SETA	-	228,684	(228,684)	-
Total Other Grant Providers	(6,371)	1,025,521	(863,841)	155,309
Total	7,119,088	96,422,786	(101,395,346)	2,146,528