

THEEWATERSKLOOF

MUNICIPALITY



[These financial statements have been audited]

FINANCIAL STATEMENTS

30 JUNE 2012

THEEWATERSKLOOF MUNICIPALITY

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THEEWATERSKLOOF MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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	Mr M Mathews
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 J Swartz

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2012, which are set out on pages 1 to 76 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2012 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

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 Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Mr. H.S.D. Wallace
Municipal Manager

31 August 2012
Date

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 R	2011 R
NET ASSETS AND LIABILITIES			
Net Assets		477,393,976	497,840,494
Revaluations Reserve	2	11,422,657	11,158,466
Social Contribution Reserve	2	55,278	39,200
Accumulated Surplus		465,916,040	486,642,827
Non-Current Liabilities		168,910,097	151,256,435
Long-term liabilities	3	112,746,944	100,128,801
Employee benefits	4	32,265,034	28,519,104
Non-current provisions	5	23,898,119	22,608,530
Current Liabilities		58,643,693	46,942,435
Consumer deposits	6	3,244,769	3,149,348
Current Employee benefits	7	16,005,223	13,591,839
Provisions	8	-	151,583
Payables from exchange transactions	9	24,369,773	21,570,773
Unspent conditional government grants and receipts	10	7,387,066	2,328,784
Unspent Public Contributions	11	167,235	85,632
Taxes	12.1	951,382	789,542
Operating lease liability	21.1	-	3,451
Current portion of long-term liabilities	3	6,518,246	5,271,484
Total Net Assets and Liabilities		704,947,766	696,039,364
ASSETS			
Non-Current Assets		661,117,197	642,312,141
Property, plant and equipment	13	454,275,307	405,761,795
Capitalised restoration costs	14	186,592	373,638
Investment property	15	204,491,260	234,076,830
Intangible assets	16	2,126,200	2,058,713
Long-term receivables	17	37,837	41,165
Current Assets		43,830,569	53,727,223
Inventory	18	2,256,683	1,883,869
Receivables from exchange transactions	19	10,812,053	23,416,979
Receivables from non-exchange transactions	20	6,617,131	3,565,253
Unpaid conditional government grants and receipts	10	109,943	182,255
Operating lease asset	21.2	272,777	184,700
Taxes	12	2,343,654	1,866,392
Current portion of long-term receivables	17	4,601	4,241
Cash and cash equivalents	22	21,413,727	22,623,534
Total Assets		704,947,766	696,039,364

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 (Actual) R	2011 (Restated) R	Correction of error R	2011 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		164,099,501	158,823,116	(35,500)	158,858,616
Taxation Revenue		43,226,388	41,130,046	-	41,130,046
Property taxes	23	43,226,388	41,130,046	-	41,130,046
Transfer Revenue		110,839,198	102,254,582	-	102,254,582
Government Grants and Subsidies	24	110,270,199	101,395,347	-	101,395,347
Public Contributions and Donations		568,999	859,235	-	859,235
Other Revenue		10,033,915	15,438,488	(35,500)	15,473,988
Third Party Payments		61,708	414,278	-	414,278
Fines		2,941,835	3,627,434	-	3,627,434
Fair Value Adjustments	27	7,030,372	11,396,776	(35,500)	11,432,276
Revenue from Exchange Transactions		139,001,174	125,458,428	(1,046,520)	125,980,525
Service Charges	25	120,756,522	108,211,258	(1,046,520)	108,733,355
Rental of Facilities and Equipment		1,104,844	1,351,701	-	1,351,701
Interest Earned - external investments		1,738,106	1,664,552	-	1,664,552
Interest Earned - outstanding debtors		7,833,546	7,389,348	-	7,389,348
Licences and Permits		2,926,316	2,612,474	-	2,612,474
Agency Services		1,836,310	1,778,155	-	1,778,155
Other Income	26	2,805,530	2,450,940	-	2,450,940
Gain on disposal of Property, Plant and Equipment		-	-	-	-
Total Revenue		303,100,675	284,281,544	(1,082,020)	284,839,141
EXPENDITURE					
Employee related costs	28	109,178,511	96,786,528	310,934	96,475,594
Remuneration of Councillors	29	7,167,744	6,022,360	-	6,022,360
Debt Impairment	30	32,421,930	18,637,852	-	18,637,852
Depreciation and Amortisation	31	8,464,780	7,813,322	649,404	7,163,918
Impairments	32	41,290,590	1,607,092	-	1,607,092
Repairs and Maintenance		15,553,160	14,054,054	-	14,054,054
Actuarial losses	4	423,426	4,910,343	-	4,910,343
Finance Charges	33	13,857,438	10,934,109	-	10,934,109
Bulk Purchases	34	41,474,697	34,790,079	-	34,790,079
Contracted services		11,307,937	9,949,008	-	9,949,008
Grants and Subsidies	35	638,395	427,760	-	427,760
Operating Grant Expenditure	36	15,360,442	27,559,606	-	27,559,606
General Expenses	37	26,425,297	23,988,853	-	23,988,853
Loss on disposal of Property, Plant and Equipment		247,037	788,977	-	788,977
Total Expenditure		323,811,384	258,269,942	960,337	257,309,605
NET SURPLUS/(DEFICIT) FOR THE YEAR		(20,710,709)	26,011,602	(2,042,358)	27,529,536

THEEWATERSKLOOF MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Revaluations Reserve	Social Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 30 JUNE 2010	7,913,567	30,650	459,266,317	467,210,534
Correction of error - Note - 38	-	-	1,373,458	1,373,458
Restated balance at 1 JULY 2010	7,913,567	30,650	460,639,775	468,583,992
Net Surplus for the year	-	-	26,011,602	26,011,602
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	486,642,827	497,840,493
Net Deficit for the year	-	-	(20,710,709)	(20,710,709)
Revaluation of PPE	264,191	-	-	264,191
Transfer to Social contribution Reserve	-	16,078	(16,078)	-
Balance at 30 JUNE 2012	11,422,657	55,278	465,916,040	477,393,975

THEEWATERSKLOOF MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Notes	30 JUNE 2012 R	30 JUNE 2011 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other (Restated 2011)		170,972,473	160,996,549
Government grants (Restated 2011)		115,400,792	96,422,786
Interest		9,571,652	9,053,900
Payments			
Suppliers and employees		(235,065,155)	(221,553,822)
Finance charges	33	(13,857,438)	(10,934,109)
Transfers and Grants		(638,395)	(427,760)
Cash generated by operations	40	46,383,928	33,557,545
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(64,897,856)	(44,623,013)
Proceeds on Disposal of Fixed Assets		3,689,320	3,577,514
Purchase of Intangible Assets	16	(348,493)	(46,549)
Decrease in Long-term Receivables	17	2,969	4,695
Net Cash from Investing Activities		(61,554,060)	(41,087,353)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(7,520,217)	(3,911,222)
New loans raised		21,385,121	26,495,960
Increase in Consumer Deposits		95,421	206,852
Net Cash from Financing Activities		13,960,325	22,791,590
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,209,807)	15,261,782
Cash and Cash Equivalents at the beginning of the year		22,623,534	7,361,751
Cash and Cash Equivalents at the end of the year	41	21,413,727	22,623,534
NET INCREASE IN CASH AND CASH EQUIVALENTS		(1,209,807)	15,261,783

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**1.1. BASIS OF PREPARATION**

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – February 2010) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

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

Standard	Description	Effective Date
GRAP 1 (Revised – Mar 2012)	Presentation of Financial Statements	1 April 2013
GRAP 3 (Revised – Mar 2012)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2013
GRAP 9 (Revised – Mar 2012)	Revenue from Exchange Transactions	1 April 2013
GRAP 12 (Revised – Mar 2012)	Inventories	1 April 2013
GRAP 13 (Revised – Mar 2012)	Leases	1 April 2013
GRAP 16 (Revised – Mar 2012)	Investment Property	1 April 2013
GRAP 17 (Revised – Mar 2012)	Property, Plant and Equipment	1 April 2013
GRAP 21 (Original – Mar 2009)	Impairment of non-cash-generating assets	1 April 2012
GRAP 23 (Original – Feb 2008)	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 25 (Original – Nov 2009)	Employee Benefits	1 April 2013
GRAP 26 (Original – Mar 2009)	Impairment of cash-generating assets	1 April 2012
GRAP 27 (Revised – Mar 2012)	Agriculture	1 April 2013
GRAP 31 (Revised – Mar 2012)	Intangible Assets	1 April 2013
GRAP 104 (Original – Oct 2009)	Financial Instruments	1 April 2012
IGRAP 16 (Issued – Mar 2012)	Intangible Assets – Website Costs	1 April 2013

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. 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. 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. Materiality is determined as 1% of total expenditure.

1.6. PRESENTATION OF BUDGET INFORMATION

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 (Revised – March 2012) paragraph 11 to 14 have been disclosed in the financial statements. The presentation of budget information complies with the formats contained in the Municipal Budget and Reporting Regulations.

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

<p>The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:</p> <p>Standard</p>	<p>Description</p>	<p>Effective Date</p>
<p>GRAP 6 (Revised – Nov 2010)</p>	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>No significant impact is expected as the Municipality already complies with most of the changes.</p>	<p>Unknown</p>
<p>GRAP 7 (Revised – Mar 2012)</p>	<p>Investments in Associate</p> <p>This Standard prescribes the accounting treatment for investments in joint ventures where the investment in the associate leads to the holding of an ownership interest in the form of a shareholding or other form of interest in the net assets.</p> <p>No significant impact is expected as the Municipality will not participate in such business transactions.</p>	<p>1 April 2013</p>
<p>GRAP 8 (Revised – Nov 2010)</p>	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	<p>Unknown</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

<p>GRAP 18 (Original – Feb 2011)</p>	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>Information to a large extent is already included in the appendices to the annual financial statements which do not form part of the audited financial statements.</p>	<p>Unknown</p>
<p>GRAP 24 (Original – Nov 2007)</p>	<p>Presentation of Budget Information in Financial Statements</p> <p>This Standard requires a comparison of budget mounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities that are required to, or elect to, make publicly available their approved budget(s) and for which they are, therefore, held publicly accountable. The Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.</p> <p>Information to a large extent is already included in the notes to the annual financial statements and the impact is assessed to not be significant.</p>	<p>1 April 2012</p>
<p>GRAP 103 (Original – July 2008)</p>	<p>Heritage Assets</p> <p>The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.</p> <p>No adjustments necessary as the Municipality has no significant heritage assets other than the assets currently accounted for in terms of GRAP 17.</p>	<p>1 April 2012</p>
<p>GRAP 105 (Original – Nov 2010)</p>	<p>Transfer of Functions Between Entities Under Common Control</p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact is expected as the Municipality does not participate in such business transactions.</p>	<p>Unknown</p>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

GRAP 106 (Original – Nov 2010)	Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer in a 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 (Original – Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact is expected as the Municipality does not participate in such business transactions.	Unknown
IGRAP 12	Jointly Controlled Entities non-monetary contributions The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venturer to a Jointly Controlled Entity (JCE). No significant impact is expected as the Municipality does not have any JCE's at this stage.	

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 utilized.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 Employee Benefits Reserve

The aim of the reserve is to ensure sufficient cash resources are available for the future payment of employee benefits. Contributions equal to the short term portion of employee benefits, plus 5% of the prior year closing balance of long term employee benefits is contributed to the reserve from accumulated surplus/(deficit).

1.8.4 Non-Current Provisions Reserve

The aim of this reserve is to ensure sufficient cash resources are available for the future payment of non – current provisions. An initial contribution equal to the current provisions, as well as 20% of the prior year balance of the non current provision is made until the necessary funding level is obtained.

1.8.5 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.

1.8.6 Valuations Reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act.

The contribution to this reserve should be approximately 25% of the anticipated cost of the General Valuation.

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 (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of

incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

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 de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. 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, subsidies and 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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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- 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.

1.11. 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 Municipality 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 grant is receivables:

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

1.12 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.

1.13. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

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

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

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

1.14. 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 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The 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, is charged or credited to the Statement of Financial

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) Ex Gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. 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. 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.

(d) Provision for Staff Leave

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.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Provision for Performance Bonuses

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

(f) 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.

(g) Other Short-term Employee Benefits

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

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

1.15. 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 amount of borrowing costs that the Municipality capitalises during a period shall not exceed the amount of borrowing costs it incurred during that period. 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. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

1.16. PROPERTY, PLANT AND EQUIPMENT

1.16.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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.

1.16.2 Subsequent Measurement – Cost Model

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

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

1.16.3 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 any accumulated 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.

1.16.4 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 Stormwater	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>Finance lease assets</u>			
Office equipment	3 - 15		
Other assets	5 – 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 impairment is recognised in the Statement of Financial Performance.

1.16.5 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.

1.17. INTANGIBLE ASSETS

1.17.1 Initial Recognition

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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, it's deemed cost is the carrying amount of the asset(s) given up.

1.17.2 Subsequent Measurement – Cost Model

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

1.17.3 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.17.4 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.

1.18. INVESTMENT PROPERTY

1.18.1 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.

1.18.2 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.

1.18.3 De-recognition

Investment property is derecognised when it is disposed 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.

1.19. NON-CURRENT ASSETS HELD FOR SALE

1.19.1 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.

1.19.2 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.

1.20. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.20.1 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

1.20.2 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 to 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

1.21. NON CURRENT INVESTMENTS

Financial instruments, which include 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.

1.22. INVENTORIES

1.22.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. 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.

1.22.2 Subsequent Measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

1.23. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables from exchange transactions, cash and cash equivalents, annuity loans and payables. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.23.1 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

1.23.2 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.

1.23.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured 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 an 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

1.23.2.2 Payables and Annuity Loans

Financial liabilities consist of Landfill sites provisions, 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.

1.23.2.3 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.

1.23.3 *De-recognition of Financial Instruments*

1.23.3.1 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, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

1.23.3.2 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.

1.23.4 *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

1.24. REVENUE

1.24.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from 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.

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.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these

unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

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

Revenue shall be 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.

1.24.2 Revenue from Exchange Transactions

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

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. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . 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. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as Payables from Exchange Transactions in the Statement of Financial Position.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

1.25. 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.

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.

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.

1.26. UNAUTHORISED EXPENDITURE

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

1.27. 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.28. 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 (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.29. 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 measures with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.30. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information was prepared in accordance with the requirements of GRAP 1 as well as the formats contained in the Municipal Budget and Reporting Regulations. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

in Financial Statements is not yet effective. This standard will bring new rules in respect of presentation of budget information.

1.31. 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, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. 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.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life 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.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent Liabilities

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

Revenue Recognition

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

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

Provision for Landfill Sites

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Task Implementation

The provision at 30 June 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 salaries compared to the basic salaries as per the new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

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 or when employment is terminated.

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.

Pre-paid electricity estimation

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

Componentisation of Infrastructure assets

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

1.32. TAXES – VALUE ADDED TAX

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

1.33. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.34. 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 2012

	2012 R	2011 R
2 NET ASSET RESERVES		
Revaluations Reserve	11,422,657	11,158,466
Social Contributions Reserve	55,278	39,200
Total Net Asset Reserves	11,477,935	11,197,666
3 LONG-TERM LIABILITIES		
Annuity Loans - At amortised cost	102,144,132	85,486,698
Capitalised Lease Liability - At amortised cost	98,087	48,289
Stock loans	17,022,971	19,865,299
	119,265,190	105,400,285
Current Portion transferred to Current Liabilities	(6,518,246)	(5,271,484)
Annuity Loans - At amortised cost	(6,506,297)	(5,223,195)
Capitalised Lease Liability - At amortised cost	(11,949)	(48,289)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	112,746,944	100,128,801

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

	Minimum annuity payments	
Payable within one year	17,054,300	13,589,583
Payable within two to five years	61,409,629	50,845,314
Payable after five years	116,236,596	106,690,791
	194,700,525	171,125,688
Less: Future finance obligations	(92,556,393)	(85,638,989)
Present value of annuity obligations	102,144,132	85,486,698

Annuity loans at amortised cost is calculated at 9.46%-16.5% interest rate, with first maturity date of 30 June 2013 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	Minimum lease payments	
Payable within one year	113,680	49,898
Payable within two to five years	189,467	-
Payable after five years		
	303,148	49,898
Less: Future finance obligations	(205,061)	(1,609)
Present value of lease obligations	98,087	48,289

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
	Bizhub Copiers	12.25%	0%	3 Years	30/06/2012
DFA Solutions	Laptop computers	9%	0%	3 Years	28/02/2015
Leases are secured by property, plant and equipment, which consist of photo copier machines and laptop computers - Note 13					

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

3 LONG-TERM LIABILITIES (CONTINUE)

The obligations under stock loans are scheduled below:

Amounts payable under stock loans:

	2012 R	2011 R
		Minimum stock loan payments
Payable within one year	1,598,480	3,066,970
Payable within two to five years	6,004,458	6,002,570
Payable after five years	30,526,230	32,126,597
	38,129,168	41,196,137
Less: Future finance obligations	(21,106,197)	(21,330,838)
Present value of stock loan obligations	17,022,971	19,865,299

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

4 EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1

Long Service Awards - Refer to Note 4.2

Total Non-current Employee Benefit Liabilities

28,744,130	25,621,820
3,520,904	2,897,284
32,265,034	28,519,104

Post Retirement Benefits

Balance 1 July	26,514,500	19,691,820
Contribution for the year	1,681,047	1,099,294
Interest Cost	2,255,069	1,761,631
Expenditure for the year	(940,761)	(761,450)
Actuarial Loss	169,771	4,723,205

Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

29,679,626	26,514,500
(935,496)	(892,680)
28,744,130	25,621,820

Long Service Awards

Balance 1 July	3,252,067	2,654,371
Contribution for the year	469,887	407,235
Interest Cost	242,855	232,191
Expenditure for the year	(328,309)	(228,867)
Actuarial Loss	253,656	187,137

Total long service 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

3,890,156	3,252,067
(369,252)	(354,783)
3,520,904	2,897,284

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	29,766,567	22,346,191
Contribution for the year	2,150,934	1,506,529
Interest cost	2,497,924	1,993,822
Expenditure for the year	(1,269,069)	(990,318)
Actuarial Loss	423,426	4,910,343

Total employee benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

33,569,782	29,766,567
(1,304,748)	(1,247,463)
32,265,034	28,519,104

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4 EMPLOYEE BENEFITS (CONTINUE)

2012
R

2011
R

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	154	146
In-service (employee) non-members	420	447
Continuation members (e.g. Retirees, widows, orphans)	31	29
Total Members	605	622

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

In-service members	16,503,387	14,414,000
Continuation members	13,176,239	12,100,500
Total Liability	29,679,626	26,514,500

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

	2010 R	2009 R	2008 R
Members	19,691,820	17,762,374	14,781,876
Total Liability	19,691,820	17,762,374	14,781,876

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:

2012
%

2011
%

i) Rate of interest

Discount rate	7.92%	8.65%
Health Care Cost Inflation Rate	6.94%	7.32%
Net Effective Discount Rate	0.92%	1.24%

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.

2012
R

2011
R

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

Present value of fund obligations	29,679,626	26,514,500
Net liability	29,679,626	26,514,500

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
4 EMPLOYEE BENEFITS (CONTINUE)		
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	26,514,500	19,691,820
Total expenses	2,995,355	2,099,475
Current service cost	1,681,047	1,099,294
Interest Cost	2,255,069	1,761,631
Benefits Paid	(940,761)	(761,450)
Actuarial loss	169,771	4,723,205
Present value of fund obligation at the end of the year	29,679,626	26,514,500
Less: Transfer of Current Portion - Note 7	(935,496)	(892,680)
Balance 30 June	28,744,130	25,621,820

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	16.503	13.176	29.679

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%	20.122	14.644	34.766	17%
Health care inflation	-1%	13.675	11.915	25.590	-14%
Post-retirement mortality	-1 year	17.053	13.702	30.755	4%
Average retirement age	-1 year	17.97	13.176	31.146	5%
Withdrawal Rate	-50%	18.727	13.176	31.903	7%

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

572	578
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Key actuarial assumptions used:

i) Rate of interest

Discount rate	6.69%	7.89%
General Salary Inflation (long-term)	5.97%	6.30%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.68%	1.50%

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

	2012 R	2011 R
Present value of fund obligations	3,890,156	3,252,067
Net liability	3,890,156	3,252,067

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

4 EMPLOYEE BENEFITS (CONTINUE)

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

	2010 R	2009 R	2008 R
Total Liability	2,654,371	2,306,200	1,868,134
Reconciliation of present value of fund obligation:			
Present value of fund obligation at the beginning of the year		3,252,067	2,654,371
Total expenses		384,433	410,559
Current service cost		469,887	407,235
Interest Cost		242,855	232,191
Benefits Paid		(328,309)	(228,867)
Actuarial loss		253,656	187,137
Present value of fund obligation at the end of the year		3,890,156	3,252,067
Less: Transfer of Current Portion - Note 7		(369,252)	(354,783)
Balance 30 June		3,520,904	2,897,284

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		3.890	
General salary inflation	1%	4.202	8%
General salary inflation	-1%	3.612	-7%
Average retirement age	-2 yrs	3.318	-15%
Average retirement age	2 yrs	4.388	13%
Withdrawal rates	-50%	4.988	28%

4.3 Retirement funds

CAPE JOINT PENSION FUND

4.3 Retirement funds

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 the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

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 2011 revealed that the fund is in a sound financial position with a funding level of 116.9% (30 June 2010 - 100.3%).

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 2011 revealed that the fund is in a sound financial position with a funding level of 98.10% (30 June 2010 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2011 financial year.

DEFINED CONTRIBUTION FUNDS

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

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	23,898,119	22,608,530
Total Non-current Provisions	23,898,119	22,608,530

Landfill Sites

Balance 1 July	22,760,113	21,386,128
Contribution for the year	1,138,006	1,373,985
Total provision 30 June	23,898,119	22,760,113
Less: Transfer of Current Portion to Current Provisions - Note 8	-	(151,583)
Balance 30 June	23,898,119	22,608,530

The municipality did not, as yet, rehabilitate any of its Landfill sites which are full, neither budgeted for the outflows in the Medium Term Revenue and Expenditure Framework.

6 CONSUMER DEPOSITS		
Water & Electricity	3,244,769	3,149,348
Total Consumer Deposits	3,244,769	3,149,348
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	935,496	892,680
Current Portion of Long-Service Provisions - Note 4	369,252	354,783
Staff Leave	10,482,871	7,295,790
Performance Bonuses	579,733	677,399
Annual Bonuses	2,584,120	2,320,994
Compensation for injuries on duty contribution	810,366	1,082,385
Pension fund shortfall	-	749,717
Pension	128,604	128,604
Group Insurance	114,781	89,487
Total Current Employee Benefits	16,005,223	13,591,839

The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year	7,295,790	6,031,105
Contribution to current portion	3,743,862	1,777,747
Expenditure incurred	(556,781)	(513,062)
Balance at end of year	10,482,871	7,295,790

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

Performance Bonuses

Balance at beginning of year	677,399	654,256
Contribution to current portion	579,733	677,398
Expenditure incurred	(677,399)	(654,255)
Balance at end of year	579,733	677,399

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 2012

7	CURRENT EMPLOYEE BENEFITS (CONTINUE)	2012 R	2011 R
	<u>Annual Bonuses</u>		
	Balance at beginning of year (Restated 2011 - Note 38.03)	2,320,994	2,010,060
	Contribution to current portion	4,920,726	4,669,747
	Expenditure incurred	(4,657,600)	(4,358,813)
	Balance at end of year	2,584,120	2,320,994
	Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.		
	<u>Compensation for injuries on duty contribution</u>		
	Balance at beginning of year	1,082,385	493,883
	Contribution to current portion	1,928,203	588,502
	Expenditure incurred	(2,200,222)	-
	Balance at end of year	810,366	1,082,385
	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.		
	<u>Pension Fund shortfall</u>		
	Balance at beginning of year	749,717	646,326
	Expenditure incurred	(749,717)	-
	Interest on arrear account	-	103,391
	Balance at end of year	-	749,717
	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.		
	<u>Pension</u>		
	Balance at beginning of year	128,604	48,478
	Contribution to current portion	-	80,126
	Balance at end of year	128,604	128,604
	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.		
	<u>Group Insurance</u>		
	Fair Value at beginning of year	89,487	70,932
	Fair Value adjustment during the year.	25,294	18,555
	Fair value at end of year	114,781	89,487
	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.		
	<u>Task implementation</u>		
	Balance at beginning of year	-	725,308
	Expenditure incurred	-	(725,308)
	Balance at end of year	-	-
	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.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
8 PROVISIONS		
Current Portion of Rehabilitation of Landfill-sites - Note 4	-	151,583
Total Provisions	-	151,583
9 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Payables	13,987,558	10,774,673
Interest Accrued	1,938,215	974,687
Payments received in advance	2,018,944	2,532,572
Retentions	5,698,589	5,483,602
Sundry Deposits	709,628	598,903
Land Sales deposits	16,839	1,206,336
Total Trade Payables	24,369,773	21,570,773
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 municipality did not default on any of its obligations.		
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	7,387,066	2,328,784
National Government Grants	4,836,471	1,920,130
Provincial Government Grants	2,183,622	253,344
Other Grant Providers	366,973	155,309
Less: Unpaid Grants	109,943	182,255
National Government Grants	109,943	-
Provincial Government Grants	-	182,255
Total Conditional Grants and Receipts	7,277,123	2,146,528
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.		
Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.		
11 UNSPENT PUBLIC CONTRIBUTIONS		
HAN	167,235	85,632
Total Unspent Public Contributions	167,235	85,632
Reconciliation of public contributions		
HAN		
Opening balance	85,632	-
Contributions received	650,602	944,866
Conditions met - Transferred to revenue	(568,999)	(859,235)
Closing balance	167,235	85,632
Upliftment of previously disadvantaged communities		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
12	TAXES		
12.1	VAT PAYABLE		
	VAT Payable - Restated 2011 - Note 38.05	9,599,001	10,688,314
	Less: Contribution to provision for impairment of trade receivables from exchange transactions	(8,647,619)	(9,898,772)
	Total Vat payable	<u>951,382</u>	<u>789,542</u>
12.2	VAT RECEIVABLE		
	VAT Receivable	2,343,654	1,866,392
	Total VAT receivable	<u>2,343,654</u>	<u>1,866,392</u>
12.3	NET VAT RECEIVABLE/(PAYABLE)	<u>1,392,272</u>	<u>1,076,850</u>
	VAT is receivable/payable on the cash basis.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2012

Reconciliation of Carrying Value

Cost

Accumulated Depreciation Charges and Impairment Losses

Carrying Value

	Opening Balance R	Additions R	Revaluations	Impairments R	Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance R	R
Land and Buildings	105,735,100	8,052,064	799,015	9,495,179	-	105,091,000	-		595,826		(595,826)	-	-	105,091,000
Land	48,068,800	6,821,355	899,900	7,987,355	-	47,802,700	-	-	-	-	-	-	-	47,802,700
Buildings	57,666,300	1,230,709	(100,885)	1,507,824	-	57,288,300	-	-	595,826	-	(595,826)	-	-	57,288,300
Infrastructure	328,600,021	53,928,650	-	-	-	382,528,671	61,366,851	-	5,452,967		-	-	66,819,818	315,708,853
Roads and Storm water	99,809,316	4,309,453	-	-	-	104,118,769	28,183,312	-	2,166,239	-	-	-	30,349,551	73,769,218
Electricity Network	31,940,789	5,995,528	-	-	-	37,936,317	6,894,282	-	570,839	-	-	-	7,465,122	30,471,195
Sewerage Network	75,636,905	15,011,611	-	-	-	90,648,516	10,497,371	-	1,062,263	-	-	-	11,559,634	79,088,882
Water Network	102,341,962	10,622,733	-	-	-	112,964,695	15,410,704	-	1,550,878	-	-	-	16,961,582	96,003,112
Refuse Removal	383,832	807,781	-	-	-	1,191,613	112,869	-	13,310	-	-	-	126,179	1,065,434
Housing	18,487,217	17,181,544	-	-	-	35,668,761	268,312	-	89,437	-	-	-	357,750	35,311,011
Community Assets	10,869,988	-	-	-	-	10,869,988	5,584,024	-	452,150		-	-	6,036,174	4,833,814
Recreation Grounds	3,579,935	-	-	-	-	3,579,935	1,288,652	-	179,364	-	-	-	1,468,016	2,111,918
Community Halls	839,927	-	-	-	-	839,927	429,990	-	28,056	-	-	-	458,046	381,882
Libraries	3,894,000	-	-	-	-	3,894,000	2,466,046	-	130,073	-	-	-	2,596,119	1,297,881
Parks & Gardens	1,753,024	-	-	-	-	1,753,024	1,092,591	-	87,831	-	-	-	1,180,422	572,603
Cemeteries	803,102	-	-	-	-	803,102	306,745	-	26,826	-	-	-	333,571	469,531
Lease Assets	506,891	100,000	-	-	267,891	339,000	147,051	-	44,911		-	53,539	138,423	200,577
Office Equipment	506,891	100,000	-	-	267,891	339,000	147,051	-	44,911	-	-	53,539	138,423	200,577
Other Assets	33,078,320	2,817,142	-	-	80,488	35,814,974	5,930,599	-	1,451,583		-	8,270	7,373,913	28,441,061
Vehicles	3,911,544	55,615	-	-	80,488	3,886,671	472,413	-	89,012	-	-	8,270	553,155	3,333,516
Tools & Equipment	2,577,726	707,361	-	-	-	3,285,088	464,879	-	279,923	-	-	-	744,803	2,540,285
Furniture	1,148,530	38,897	-	-	-	1,187,426	288,227	-	64,754	-	-	-	352,982	834,444
Equipment	2,602,774	280,222	-	-	-	2,882,996	831,728	-	243,738	-	-	-	1,075,466	1,807,531
Special Vehicles	18,320,650	1,053,573	-	-	-	19,374,222	2,714,473	-	397,264	-	-	-	3,111,737	16,262,485
Tables	339,075	32,757	-	-	-	371,832	97,843	-	20,189	-	-	-	118,031	253,801
Chairs	649,528	28,737	-	-	-	678,265	132,395	-	38,369	-	-	-	170,764	507,501
Office Equipment	1,454,255	106,607	-	-	-	1,560,862	431,196	-	127,701	-	-	-	558,897	1,001,965
Computer Hardware	1,905,729	513,373	-	-	-	2,419,102	494,569	-	179,378	-	-	-	673,947	1,745,155
Other	168,510	-	-	-	-	168,510	2,874	-	11,257	-	-	-	14,131	154,379
	478,790,320	64,897,856	799,015	9,495,179	348,379	534,643,633	73,028,524	-	7,997,438		(595,826)	61,809	80,368,327	454,275,305

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

30 JUNE 2011

Reconciliation of Carrying Value

Reconciliation of Carrying Value			Cost				Accumulated Depreciation Charges and Impairment Losses							Carrying Value	
(Restated 2011)	Opening Balance R	Additions R	Revaluations	Impairment and Disposals R	Residual Value Disposals R	Closing Balance R	Opening Balance R	Correction of error	Additions R	Correction of error	Revaluation Reversal R	Disposals R	Closing Balance 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	270,572	80,582	282,844	-	57,666,300	-	-	593,485	-	(593,485)	-	-	57,666,300	
Infrastructure	287,222,753	41,377,267	-	-	-	328,600,021	60,961,656	-4,643,850	4,057,862	991,183	-	-	61,366,851	267,233,170	
Roads and Storm water	90,629,860	9,179,456	-	-	-	99,809,316	27,345,041	-1,169,550	1,769,869	237,953	-	-	28,183,312	71,626,003	
Electricity Network	28,421,248	3,519,541	-	-	-	31,940,789	6,333,244	-1,445	383,346	179,137	-	-	6,894,282	25,046,507	
Sewerage Network	70,696,076	4,940,829	-	-	-	75,636,905	11,107,418	-1,596,192	819,296	166,848	-	-	10,497,371	65,139,534	
Water Network	88,207,014	14,134,948	-	-	-	102,341,962	15,855,688	-1,832,877	980,062	407,831	-	-	15,410,704	86,931,258	
Refuse Removal	383,832	-	-	-	-	383,832	141,390	-43,786	15,852	-586	-	-	112,869	270,963	
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	97,442	401,625	15,163	-	-	5,584,024	5,285,964	
Recreation Grounds	2,896,915	683,020	-	-	-	3,579,935	1,047,105	96,800	130,226	14,521	-	-	1,288,652	2,291,282	
Community Halls	839,927	-	-	-	-	839,927	402,010	-	27,980	-	-	-	429,990	409,938	
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	642	86,949	642	-	-	1,092,591	660,434	
Cemeteries	803,102	-	-	-	-	803,102	279,992	-	26,753	-	-	-	306,745	496,357	
Lease Assets	1,784,991	-	-	-	1,278,100	506,891	584,608	17,797	15,971	17,797	-	489,123	147,051	359,840	
Office Equipment	1,784,991	-	-	-	1,278,100	506,891	584,608	17,797	15,971	17,797	-	489,123	147,051	359,840	
Other Assets	30,786,166	2,292,154	-	-	-	33,078,320	7,239,345	(2,523,708)	1,589,701	(374,739)	-	-	5,930,599	27,147,721	
Vehicles	3,806,488	105,056	-	-	-	3,911,544	871,141	(486,313)	202,579	(114,995)	-	-	472,413	3,439,132	
Tools & Equipment	1,897,451	680,275	-	-	-	2,577,726	225,408	54,946	169,023	15,501	-	-	464,879	2,112,847	
Furniture	1,019,670	128,859	-	-	-	1,148,530	225,240	6,511	53,205	3,271	-	-	288,227	860,302	
Equipment	2,160,096	442,679	-	-	-	2,602,774	641,241	4,856	180,776	4,856	-	-	831,728	1,771,046	
Special Vehicles	18,201,068	119,581	-	-	-	18,320,650	4,471,807	(2,153,805)	703,506	(307,034)	-	-	2,714,473	15,606,176	
Tables	288,539	50,536	-	-	-	339,075	81,402	389	16,052	-	-	-	97,843	241,232	
Chairs	547,858	101,670	-	-	-	649,528	95,113	6,192	28,919	2,170	-	-	132,395	517,133	
Office Equipment	1,270,047	184,208	-	-	-	1,454,255	294,540	20,309	101,611	14,737	-	-	431,196	1,023,058	
Computer Hardware	1,594,949	310,780	-	-	-	1,905,729	333,452	23,207	131,156	6,754	-	-	494,569	1,411,159	
	433,088,337	44,623,013	2,651,414	294,344	1,278,100	478,790,320	73,855,403	(7,052,319)	6,658,644	649,404	(593,485)	489,123	73,028,524	405,761,795	

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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:

	2012 R	2011 R
Payments received (Excluding VAT)	61,708	414,278
Surplus/Deficit	61,708	414,278

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	9,495,179	294,344
	9,495,179	294,344

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. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.

Changes in accounting estimates

Useful lives were reviewed but since all useful lives were allocated during the comparative year no adjustment was necessary to any useful lives. Residual values were allocated but treated as a correction of error since it was not allocated during the implementation of Directive 4 in the comparative year.

14 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July

	373,638	683,424
Cost	3,432,613	3,432,613
Accumulated Depreciation	(2,980,520)	(2,749,189)
Accumulated Impairments	(78,455)	(18,457)
Depreciation for the year	(186,335)	(231,331)
Impairment for the year	(711)	(59,998)

Net Carrying amount at 30 June

	186,592	373,638
Cost	3,432,613	3,432,613
Accumulated Depreciation	(3,166,855)	(2,980,520)
Accumulated Impairments	(79,166)	(78,455)

15 INVESTMENT PROPERTY

Net Carrying amount at 1 July

	234,076,830	227,511,773
Cost - Balance previously reported	234,076,830	228,757,273
Correction of error - Note 38.01	-	(1,245,500)
Disposals	(3,689,320)	(3,577,514)
Fair Value Adjustments - Impairment (Restated 2011)	(32,925,350)	(1,252,750)
Revaluation increase	7,029,100	11,395,321

Net Carrying amount at 30 June

	204,491,260	234,076,830
Cost	204,491,260	234,076,830

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.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

15	INVESTMENT PROPERTY (CONTINUED)	2012 R	2011 R
	Fair value of Land and Buildings was determined by a registered Valuator - Mr De Kock. The method used for determining the open market value of the improvements is the accrued depreciation method of valuation. Accrued depreciation is a loss in value from the replacement cost of improvements due to physical deterioration, functional obsolescence and external obsolescence. After identifying and measuring the separate elements of the accrued depreciation, the value of the applicable type of depreciation are deducted from the replacement cost of the improvements.		
	Revenue derived from the rental of investment property	1,112,828	1,107,076
	Operating expenditure incurred on properties	5,772,020	8,529,299

16 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July

Cost	2,770,652	2,724,103
Accumulated Amortisation	(711,939)	(437,999)
Additions	348,493	46,549
Amortisation	(281,007)	(273,940)

Net Carrying amount at 30 June

Cost	3,119,145	2,770,652
Accumulated Amortisation	(992,946)	(711,939)

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

<u>Description</u>	<u>Remaining Amortisation Period</u>	2012 R	2011 R
Computer software	9 years	2,126,200	2,058,713

No intangible asset were assed 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	48,173	52,414
Less: Unamortised Discount on Loans	(5,735)	(7,008)
Balance 1 July	(7,008)	(8,463)
Adjustment for the period	1,272	1,455
	42,438	45,406
Less: Current portion transferred to current receivables	(4,601)	(4,241)
Officials Housing Loans - At amortised cost	(4,601)	(4,241)
	37,837	41,165
Total Long Term Receivables	37,837	41,165

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.

All remaining amounts are collectable.

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

18	INVENTORY	2012 R	2011 R
	Maintenance Materials - At cost	1,988,866	1,614,179
	Water – at cost	267,817	269,690
	Total Inventory	2,256,683	1,883,869

A reconciliation of water losses is included in Note 45.4

19	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity - Restated 2011 - Note 38.04	6,593,314	7,040,790
	Water	35,185,712	29,821,845
	Refuse	25,931,432	21,413,706
	Sewerage	23,995,942	21,098,829
	Other	7,090,626	10,940,902
	Total Receivables from Exchange Transactions	98,797,025	90,316,072
	Less: Allowance for Doubtful Debts	(87,984,971)	(66,899,093)
	Total Net Receivables from Exchange Transactions	10,812,053	23,416,979

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	20,406,649	21,967,263
	Other Receivables	2,742,553	4,304,052
	Accrued Fines	-	423,483
	Total Receivables from Non-Exchange Transactions	23,149,202	26,694,798
	Less: Allowance for Doubtful Debts	(16,532,071)	(23,129,545)
	Total Net Receivables from Non-Exchange Transactions	6,617,131	3,565,253

Ageing of receivables

Current (0 - 30 days)	13,528,461	12,193,409
1 to 3 months	6,652,275	8,717,961
3 to 6 months	7,015,815	5,667,658
Longer than 6 months	94,185,922	89,385,321
Total	121,382,474	115,964,350

Reconciliation of Provision for Bad Debts

Balance at beginning of year	90,028,638	84,562,223
Contribution to provision	31,170,780	20,407,456
Bad Debts Written Off	(16,682,376)	(14,941,040)
Balance at end of year	104,517,042	90,028,638

Rates 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 rates debtors are not performed in terms of GRAP 104 on initial recognition.

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 2012

21	OPERATING LEASE ARRANGEMENTS	2012 R	2011 R
21.1	The Municipality as Lessee (Liability)		
	Balance on 1 July	3,451	17,257
	Movement during the year	(3,451)	(13,806)
	Balance on 30 June	-	3,451

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
1 to 5 Years		-
More than 5 Years		-
Total Operating Lease Arrangements	-	44,810

Theewaterskloof Municipality leased erf 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.

The municipality does not engage in any sub-lease arrangements.

The municipality did not pay any contingent rent during the year

21.2	The Municipality as Lessor (Asset)		
	Balance on 1 July	184,700	116,163
	Movement during the year	88,077	68,537
	Balance on 30 June	272,777	184,700

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	566,338	(Restated) 682,760
1 to 5 Years	2,125,914	2,217,358
More than 5 Years	2,004,026	2,478,919
Total Operating Lease Arrangements	4,696,277	5,379,037

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 2 to 99 years, 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

The municipality does not engage in any sub-lease arrangements.

The municipality did not receive any contingent rent during the year

22 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	15,042,204	15,394,461
Primary Bank Account	6,365,123	7,222,673
Cash Floats	6,400	6,400
Total Cash and Cash Equivalents - Assets	21,413,727	22,623,534

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 7 554 301 are held to fund the Unspent Conditional Grants (2011: R2 414 416).

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

22	CASH AND CASH EQUIVALENTS (CONTINUED)	2012 R	2011 R
	The municipality 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:		
	Current Accounts		
	Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):	6,365,123	7,222,673
		6,365,123	7,222,673
	Traffic account is cleared daily to Primary Bank Account.		
	Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):		
	Cash book balance at beginning of year	7,222,673	2,369,704
	Cash book balance at end of year	6,365,123	7,222,673
	Bank statement balance at beginning of year	7,506,549	2,122,695
	Bank statement balance at end of year	6,016,898	7,506,549
	Call Investment Deposits		
	Call investment deposits consist out of the following accounts:		
	Nedbank 03/7881715316/001 Notice deposit	151,164	143,787
	Interneuron Capital Ltd CA 002 Notice deposit	430,224	430,224
	ABSA 9095225460 Notice deposit	12,865,739	13,343,903
	ABSA 90 8877 0478 Redemption Fund	1,910,520	1,817,284
	Sanlam Shares Investment	114,781	89,487
	Less: Provision for impairment	(430,224)	(430,224)
		15,042,204	15,394,461
23	PROPERTY RATES		
	Actual		
	Rateable Land and Buildings	45,219,179	42,477,807
	Residential, Commercial Property, State	45,219,179	42,477,807
	Less: Rebates	(1,992,791)	(1,347,761)
	Total Assessment Rates	43,226,388	41,130,046
	Valuations - 1 JULY 2009		
	Rateable Land and Buildings		
	Residential	3,769,813,500	3,522,093,500
	Business & Commercial	831,144,000	700,273,000
	Public benefit Organizations	114,289,000	216,329,500
	State-owned	193,514,000	132,557,000
	Agricultural	3,891,759,500	4,041,902,500
	Other	387,746,000	573,383,500
	Total Assessment Rates	9,188,266,000	9,186,539,000
	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 (R50 000 for those earning less than R3500 p.m.) on the valuation is exempted.		
	Rates:		
	Residential	0.62 c/R	0.58 c/R
	Commercial	1.24 c/R	1.15 c/R
	Agricultural	0.155 c/R	0.145 c/R

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

	2012 R	2011 R
Unconditional Grants	44,750,000	43,654,220
Equitable Share	44,750,000	43,654,220
Conditional Grants	65,520,198	57,741,126
EPWP	1,464,372	255,961
National Electrification Program	1,000,000	-
Municipal Infrastructure Grant	19,549,524	20,305,654
MSIG Funds	1,336,458	1,063,542
Finance Management Grant	1,715,976	923,740
Neighbourhood Development Program Grant	127,272	-
Regional Bulk Infrastructure Grant	276,983	-
Sportsfield: Caledon	-	193,081
Sportfield: Grabouw	-	498,607
CDW's	145,238	443,685
Housing	31,623,753	32,437,219
Township Development: Dennekruin	-	17,797
Main Roads Subsidy	2,828,000	60,000
Library Subsidy	4,234,000	678,000
DBSA GIS	22,224	-
DBSA Local Economic Development	556,600	635,156
SETA	639,798	228,684
Total Government Grants and Subsidies	110,270,198	101,395,346

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

Revenue recognised per vote as required by Section 123 (c) of the MFMA

Equitable share	44,750,000	43,654,220
Executive & Council	2,946,069	1,763,189
Budget & Treasury	57,761,305	54,586,985
Planning & Development	578,824	652,953
Community & Social Services	4,234,000	678,000
Road Transport	-	60,000
	110,270,198	101,395,347

24.01 Equitable share

Opening balance	-	-
Grants received	44,750,000	43,654,220
Conditions met - Transferred to revenue	(44,750,000)	(43,654,220)
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 R286.50 per month (2011: R228)

24.02 EPWP

Opening balance	1,427,639	694,600
Grants received	973,000	989,000
Conditions met - Transferred to revenue	(1,464,372)	(255,961)
Conditions still to be met	936,267	1,427,639

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

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
24.03	National Electrification Program		
	Opening balance	-	-
	Grants received	1,000,000	-
	Conditions met - Transferred to revenue	(1,000,000)	-
	Conditions still to be met	<u>-</u>	<u>-</u>
	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
	Grants received	21,577,000	15,400,000
	Conditions met - Transferred to revenue	(19,549,524)	(20,305,654)
	Conditions still to be met	<u>2,027,476</u>	<u>-</u>
	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	136,458	-
	Grants received	1,200,000	1,200,000
	Conditions met - Transferred to revenue	(1,336,458)	(1,063,542)
	Grant expenditure to be recovered	<u>-</u>	<u>136,458</u>
	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	356,033	279,773
	Grants received	1,250,000	1,000,000
	Conditions met - Transferred to revenue	(1,715,976)	(923,740)
	Grant expenditure to be recovered	<u>(109,943)</u>	<u>356,033</u>
	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	Neighbourhood Development Program Grant		
	Opening balance	-	-
	Grants received	2,000,000	-
	Conditions met - Transferred to revenue	(127,272)	-
	Grant expenditure to be recovered	<u>1,872,728</u>	<u>-</u>
	The NDPG is being utilised for development of economic nodes within previously disadvantaged areas.		
24.08	Regional Bulk Infrastructure Grant		
	Opening balance	-	-
	Grants received	276,983	-
	Conditions met - Transferred to revenue	(276,983)	-
	Grant expenditure to be recovered	<u>-</u>	<u>-</u>
	The grant was utilised to construct sewerage bulk infrastructure in Grabouw.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
24.08	Sportsfield : Caledon		
	Opening balance	-	193,081
	Grants received	-	-
	Conditions met - Transferred to revenue	-	(193,081)
	Grant expenditure to be recovered	-	-
24.09	Sportfield: Grabouw		
	Opening balance	-	498,607
	Conditions met - Transferred to revenue	-	(498,607)
	Grant expenditure to be recovered	-	-
24.10	Spatial Development Framework		
	Opening balance	30,469	30,469
	Grant expenditure to be recovered	30,469	30,469
24.11	Botrivier Development Contribution		
	Opening balance	38,889	38,889
	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	52,484	321,169
	Grants received	190,900	175,000
	Conditions met - Transferred to revenue	(145,238)	(443,685)
	Grant expenditure to be recovered	98,146	52,484
	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	(182,255)	13,919
	Grants received	33,290,623	32,241,045
	Conditions met - Transferred to revenue	(31,623,753)	(32,437,219)
	Grant expenditure to be recovered	1,484,615	(182,255)
	Provide housing to the indigents.		
24.15	Township Development: Dennekruin		
	Opening balance	-	17,797
	Conditions met - Transferred to revenue	-	(17,797)
	Grant expenditure to be recovered	-	-

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

24	GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2012 R	2011 R
24.16	Financial Support Grant		
	Opening balance	-	-
	Grants received	400,000	-
	Grant expenditure to be recovered	400,000	-
	The grant is intended to be utilised for the improvement of financial governance.		
24.17	Multi Purpose Bus		
	Opening balance	62,102	62,102
	Grant expenditure to be recovered	62,102	62,102
24.18	Main Roads Subsidy		
	Opening balance	-	-
	Grants received	2,828,000	60,000
	Conditions met - Transferred to revenue	(2,828,000)	(60,000)
	Grant expenditure to be recovered	-	-
24.19	Library Subsidy		
	Opening balance	-	-
	Grants received	4,234,000	678,000
	Conditions met - Transferred to revenue	(4,234,000)	(678,000)
	Grant expenditure to be recovered	-	-
24.20	Other Grant Providers		
	Opening balance	155,309	(6,371)
	Grants received	1,430,286	1,025,521
	Conditions met - Transferred to revenue	(1,218,622)	(863,841)
	Conditions still to be met	366,973	155,309
	Various grants were received from other spheres of government (e.g. DBSA and SETA)		
24.21	Total Grants		
	Opening balance	2,146,528	7,119,088
	Grants received	115,400,792	96,422,786
	Conditions met - Transferred to revenue	(110,270,198)	(101,395,346)
	Conditions still to be met/(Grant expenditure to be recovered)	7,277,122	2,146,528
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	7,387,066	2,328,784
	Unpaid Conditional Government Grants and Receipts	(109,943)	(182,255)
		7,277,123	2,146,528
25	SERVICE CHARGES		
	Electricity	54,639,119	46,229,957
	Water	35,254,594	34,162,938
	Refuse removal	16,074,033	14,165,286
	Sewerage and Sanitation Charges	14,622,826	13,418,944
	Other Service Charges	165,950	234,133
	Total Service Charges	120,756,522	108,211,258

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
26	OTHER INCOME		
	Plot Rental	333,618	25,332
	Building Plan fees	765,149	636,692
	Cemetery fees	315,857	304,736
	Valuation Certificates	157,816	146,475
	Vehicle Registration fees	349,385	321,791
	Sundry income	883,705	1,015,914
	Total Other Income	2,805,530	2,450,940
27	FAIR VALUE ADJUSTMENTS		
	Unamortised Discount - Interest	1,272	1,455
	Investment Property	7,029,100	11,395,321
		7,030,372	11,396,776
28	EMPLOYEE RELATED COSTS		
	Salaries	68,112,262	62,369,501
	Overtime	2,045,763	2,102,308
	Standby Allowances	1,004,797	897,679
	Transport Allowance	4,620,994	4,554,420
	Housing Subsidy	668,810	647,257
	Other Allowance	379,047	547,844
	Bonus	5,598,124	5,324,002
	Group Insurance	1,370,088	1,059,011
	Medical Aid Contribution	3,195,445	2,824,557
	Pension Fund Contribution	11,252,155	10,326,288
	Unemployment Fund	610,102	568,643
	Leave Reserve Fund	3,743,862	1,777,748
	Workmens Compensation Contributions	1,928,204	588,501
	Contribution to provision - Long Service Awards	469,887	337,844
	Contribution to provision - Post Retirement Medical	1,681,047	1,099,294
	Post Retirement Finance Charges	2,497,924	1,761,631
	Total Employee Related Costs	109,178,511	96,786,528
	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 - HSD Wallace</i>		
	Annual Remuneration	1,002,889	940,004
	Car Allowance	125,641	125,641
	Contributions to UIF, Medical and Pension Funds	29,498	26,010
	Performance Bonuses	150,544	
	Total	1,308,572	1,091,656
	<i>Remuneration of the Director Technical Services - C van Heerden</i>		
	Annual Remuneration	869,850	813,116
	Car Allowance	120,000	120,000
	Performance Bonuses	79,188	
	Total	1,069,038	933,116
	<i>Remuneration of the Director Corporate Services - J Isaacs</i>		
	Annual Remuneration	791,674	745,537
	Car Allowance	60,000	60,000
	Contributions to UIF, Medical and Pension Funds	138,175	127,579
	Performance Bonuses	98,985	
	Total	1,088,834	933,116

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

28 EMPLOYEE RELATED COSTS (CONTINUE)

	2012 R	2011 R
<i>Remuneration of the Director Development Services - MH Gxoyiya</i>		
Annual Remuneration	548 747	665 214
Car Allowance	120 000	120 001
Contributions to UIF, Medical and Pension Funds	160 551	
Performance Bonuses	108 883	147 902
Total	938 181	933 116
<i>Remuneration of the Director Financial Services - SN Jacobs</i>		
Annual Remuneration	940 471	881 409
Car Allowance	90 000	90 000
Performance Bonuses	133 961	-
Total	1 164 432	971 409
<i>Remuneration of the Director Operational Services - J Barnard</i>		
Annual Remuneration	688 790	645 552
Car Allowance	62 428	62 428
Contributions to UIF, Medical and Pension Funds	138 367	130 618
Performance Bonuses	106 750	
Total	996 336	838 599

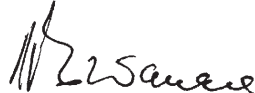
29 REMUNERATION OF COUNCILLORS

Mayor	622 270	600 710
Deputy Mayor	504 724	484 157
Speaker	504 568	484 157
Mayoral Committee Members	2 197 017	1 365 060
Councillors	3 339 165	3 088 277
Total Councillors' Remuneration	7 167 744	6 022 361

In-kind Benefits

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	32 421 930	18 207 628
Cash and Cash Equivalents - Note 22	-	430 224
Total Contribution to Debt Impairment	32 421 930	18 637 852

31 DEPRECIATION AND AMORTISATION

Property Plant and Equipment (Restated 2011)	7 997 438	7 308 051
Capitalised restoration costs	186 335	231 331
Intangible Assets	281 007	273 940
Total	8 464 780	7 813 322

32 IMPAIRMENTS

Property Plant & Equipment	8 364 529	294 344
Capitalised restoration costs	711	59 998
Investment Property	32 925 350	1 252 750
Total	41 290 590	1 607 092

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012 R	2011 R
33	FINANCE CHARGES		
	Long-term Liabilities	12,719,432	9,456,733
	Pension Fund Arrears	-	103,391
	Non-current provisions	1,138,006	1,373,985
	Total finance charges	13,857,438	10,934,109
34	BULK PURCHASES		
	Electricity	34,770,298	28,781,283
	Water	6,704,399	6,008,796
	Total Bulk Purchases	41,474,697	34,790,079
35	GRANTS AND SUBSIDIES		
	Indigent Subsidies : Escom payments	638,395	427,760
	Total Grants and Subsidies	638,395	427,760
36	OPERATING GRANT EXPENDITURE		
	Operating grant expenditure per vote		
	Executive & Council	3,175,750	1,734,112
	Budget & Treasury	11,516,450	25,172,541
	Planning & Development	668,242	652,953
	Total Operating grant expenditure	15,360,443	27,559,607
37	GENERAL EXPENSES		
	Audit Fees	2,489,126	2,309,616
	Bank Charges	273,133	240,864
	Clean and Green Project	378,001	346,479
	Computer charges	69,627	222,519
	Fuel Cost	3,594,743	2,824,826
	Insurance	781,157	659,629
	Material and protective clothing	1,530,181	1,307,765
	Membership fees	735,669	464,898
	Postage	217,984	608,790
	Printing and stationery	638,094	594,863
	Quick Wins	47,276	1,374,640
	Rates and taxes	1,127,794	1,075,361
	Electricity - Escom	4,551,064	4,065,011
	Skills development levy	810,684	687,992
	Telephone	2,122,955	2,019,431
	Training	577,262	427,438
	Travel and subsistence	548,324	470,778
	Water Purification	1,120,414	1,060,873
	Other	4,811,809	3,227,080
	General Expenses	26,425,297	23,988,853
38	CORRECTION OF ERROR IN TERMS OF GRAP 3		2011 R
38.01	Investment Properties		
	Balance previously reported		235,357,830
	Correction of Opening Balance on Cost due to erven previously disposed not removed from register - Note 15 and 38.0f		(1,470,500)
	Correction of Opening Balance on Cost due to erven previously disposed not removed from register - Note 15 and 38.0f		(35,500)
	Correction of Opening Balance on Cost due to an erf not previously recognised - Note 15 and 38.0f		225,000
	Total		234,076,830

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2011 R
38	CORRECTION OF ERROR IN TERMS OF GRAP 3 (CONTINUED)	
38.02	Property Plant and Equipment	
	Balance previously reported	403,222,278
	Correction of Opening Balance on Accumulated Depreciation due to incorrect calculations - Note 13 and 38.0€	7,052,319
	Correction of vehicles duplicated in fixed asset register - Cost - Note 13 and Note 38.0€	(3,863,398)
	Correction of prior year depreciation due to incorrect calculations - Note 13 and 38.0€	(649,404)
	Total	405,761,795
38.03	Current Employee Benefits	
	Balance previously reported	11,270,845
	Annual bonus not previously recognised - Opening balance - Note 7 and 38.0€	2,010,060
	Annual bonus not previously recognised - Prior year contribution - Note 7 and 38.0€	310,934
	Total	13,591,839
38.04	Receivables from exchange transactions	
	Electricity usage for the final month of the financial year only recognised in the next financial year - now corrected - Note 38.06	1,440,097
	Electricity usage for the final month of the prior financial year only recognised in the current financial year - now corrected - Note 39	(522,097)
	VAT on electricity usage for the final month of the financial year only recognised in the next financial year - now corrected - Note 38.05	201,614
	VAT on electricity usage for the final month of the prior financial year only recognised in the current financial year - now corrected - Note 38.05	(73,093)
	Total	1,046,520
38.05	Taxes	
	VAT on electricity usage for the final month of the financial year only recognised in the next financial year - now corrected - Note 38.04	(201,614)
	VAT on electricity usage for the final month of the prior financial year only recognised in the current financial year - now corrected - Note 38.04	73,093
	Total	(128,520)
38.06	Accumulated Surplus/(Deficit)	
	Correction of Opening Balance on Accumulated Depreciation due to incorrect calculations - Note 38.02	7,052,319
	Correction of Opening Balance on Cost due to erren previously disposed not removed from register - Note 15 and 38.0'	(1,470,500)
	Correction of Opening Balance on Investment Properties due to an erf not previously recognised - Note 38.01	225,000
	Correction of vehicles duplicated in fixed asset register - Cost - Note 13 and Note 38.02	(3,863,398)
	Annual bonuses not previously recognised - Note 38.03	(2,010,060)
	Electricity usage for the final month of the financial year only recognised in the next financial year - now corrected - Note 38.04	1,440,097
	Total	1,373,458
39	STATEMENT OF FINANCIAL PERFORMANCE	
	Balance previously reported	(649,404)
	Correction of prior year depreciation due to incorrect calculations - Note 38.02	(35,500)
	Correction of fair value adjustments due to erren previously disposed not removed from register - Note 15 and 38.0'	(310,934)
	Annual bonuses not previously recognised - Note 38.03	(310,934)
	Electricity usage for the final month of the prior financial year only recognised in the current financial year - now corrected - Note 38.04	(1,046,520)
	Total	(2,042,358)

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
40 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS	R	R
Surplus/(Deficit) for the year	(20,710,709)	26,011,602
Adjustments for:		
Depreciation	8,183,773	7,539,382
Impairments	41,290,590	1,607,092
Amortisation of Intangible Assets	281,007	273,940
(Gain) / Loss on disposal of property, plant and equipment	286,569	788,977
Grants received (restated 2011)	115,400,792	96,422,786
Grants recognised as revenue (restated 2011)	(110,270,198)	(101,395,346)
Contribution from/to employee benefits- non current	4,648,858	3,500,351
Contribution from/to employee benefits - non-current - expenditure incurred	(1,269,069)	(990,318)
Contribution from/to employee benefits - non-current - actuarial losses	423,426	4,910,343
Contribution to employee benefits – current	11,197,818	7,915,466
Contribution to employee benefits – current - expenditure incurred	(8,841,718)	(6,251,439)
Fair Value Adjustments - Property, Plant and Equipment	(7,029,100)	(11,395,321)
Contribution to provisions – bad debt	31,170,777	20,837,680
Contribution to provisions – bad debt - Cash and Cash Equivalents reduced	-	(430,224)
Impairment written off	(16,682,376)	(14,941,040)
Operating lease income accrued	(88,077)	(68,537)
Operating lease expenses accrued	(3,451)	(13,806)
Changes in Non-current provisions - Unwinding of interest	1,138,006	1,373,985
Operating Surplus/(Deficit) before changes in working capital	49,126,918	35,695,572
Changes in working capital	(2,742,989)	(2,138,027)
Increase/(Decrease) in Trade and Other Payables	2,799,000	4,496,748
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts (Restated 2011)	-	-
Increase/(Decrease) in Unspent Public Contributions	81,603	85,632
Increase/(Decrease) in Taxes	(315,422)	1,127,585
(Increase)/Decrease in Inventory	(372,814)	(297,811)
(Increase)/Decrease in Trade Receivables from exchange transactions	(8,480,952)	(9,135,429)
(Increase)/Decrease in Other Receivables from non-exchange transactions	3,545,596	1,585,248
(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts (Restated 2011)	-	-
Cash generated/(absorbed) by operations	46,383,928	33,557,545
41 CASH AND CASH EQUIVALENTS	2012	2011
	R	R
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 22	15,042,204	15,394,461
Cash Floats - Note 22	6,400	6,400
Bank - Note 22	6,365,123	7,222,673
Total cash and cash equivalents	21,413,727	22,623,534
42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 41	21,413,727	22,623,534
Less:	21,413,727	22,623,534
	(15,475,252)	(8,115,712)
Unspent Committed Conditional Grants - Note 10	(7,387,066)	(2,328,784)
Less: Unspent loans	(8,088,186)	(5,786,928)
Resources available for working capital requirements	5,938,475	14,507,822
43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 3	119,265,190	105,400,285
Used to finance property, plant and equipment - at cost	(127,353,376)	(111,187,213)
	(8,088,186)	(5,786,928)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	(8,088,186)	(5,786,928)
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44 BUDGET COMPARISONS

44.1 Operational	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Revenue by source				
Property Rates	43,226,388	39,742,286	3,484,102	9%
Government Grants and Subsidies	110,270,199	122,826,491	(12,556,292)	(10%)
Public Contributions and Donations	568,999	-	568,999	100%
Third Party Payments	61,708	-	61,708	100%
Fines	2,941,835	5,092,300	(2,150,465)	(42%)
Fair Value Adjustments	7,030,372	-	7,030,372	100%
Service Charges	120,756,522	122,388,079	(1,631,557)	(1%)
Rental of Facilities and Equipment	1,104,844	2,195,000	(1,090,156)	(50%)
Interest Earned - external investments	1,738,106	1,450,000	288,106	20%
Interest Earned - outstanding debtors	7,833,546	7,000,000	833,546	12%
Licences and Permits	2,926,316	2,813,500	112,816	4%
Agency Services	1,836,310	1,832,000	4,310	0%
Other Income	2,805,530	39,314,261	(36,508,731)	(93%)
	303,100,675	344,653,917	(41,553,242)	(12%)
Expenditure by nature				
Employee Related Costs	109,178,511	102,026,789	(7,151,722)	7%
Remuneration of Councillors	7,167,744	7,356,630	188,886	(3%)
Debt Impairment	32,421,930	8,325,200	(24,096,730)	289%
Depreciation and Amortisation	8,464,780	12,323,177	3,858,397	(31%)
Impairments	41,290,590	-	(41,290,590)	(100%)
Repairs and Maintenance (Budget included in General Expenses)	15,553,160	-	(15,553,160)	(100%)
Actuarial losses	423,426	-	(423,426)	(100%)
Finance Charges	13,857,438	13,440,075	(417,363)	3%
Bulk Purchases	41,474,697	42,000,450	525,753	(1%)
Contracted services	11,307,937	14,447,363	3,139,426	(22%)
Grants and Subsidies	638,395	-	(638,395)	(100%)
Operating Grant Expenditure (Budget included in General Expenses)	15,360,442	-	(15,360,442)	(100%)
General Expenses	26,425,297	84,489,412	58,064,115	(69%)
Loss on disposal of Property,Plant and Equipment	247,037	-	(247,037)	(100%)
	323,811,384	284,409,096	(39,402,288)	14%
Net Surplus for the year	(20,710,709)	60,244,821	(80,955,530)	(134%)

44.2 Expenditure by Vote	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
Executive & Council	45,430,022	53,347,110	(7,917,088)	(15%)
Finance & Administration	80,595,825	45,739,689	34,856,136	76%
Planning & Development	11,896,754	12,769,240	(872,486)	(7%)
Community & Social Services	4,567,467	4,526,070	41,397	1%
Housing	3,866,861	5,759,035	(1,892,174)	(33%)
Public Safety	12,108,294	11,268,310	839,984	7%
Sport & Recreation	7,332,234	5,936,787	1,395,447	24%
Environmental Protection	109,092	113,896	(4,804)	(4%)
Waste Management	25,109,496	18,077,922	7,031,574	39%
Waste Water Management	21,858,626	15,891,532	5,967,094	38%
Road Transport	24,136,800	21,501,448	2,635,352	12%
Water	37,712,201	28,061,388	9,650,813	34%
Electricity	48,725,539	46,075,519	2,650,020	6%
Other	362,173	15,341,150	(14,978,977)	(98%)
	323,811,384	284,409,096	39,402,288	14%

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

44 BUDGET COMPARISONS (CONTINUE)

	2012 R (Actual)	2012 R (Budget)	2012 R (Variance)	2012 (%)
44.3 Capital expenditure by vote				
Executive & Council	2,003,236	3,435,785	(1,432,549)	(42%)
Finance & Administration	489,244	2,662,565	(2,173,321)	(82%)
Planning & Development	8,209,358	2,150,000	6,059,358	282%
Community & Social Services	11,868	312,374	(300,506)	(96%)
Housing	17,182,946	23,914,560	(6,731,614)	(28%)
Public Safety	13,646	0	13,646	100%
Sport & Recreation	17,721	-	17,721	100%
Waste Management	807,781	2,184,000	(1,376,219)	(63%)
Waste Water Management	15,011,612	19,100,934	(4,089,322)	(21%)
Road Transport	4,309,453	4,958,428	(648,975)	(13%)
Water	10,622,733	14,656,747	(4,034,014)	(28%)
Electricity	6,218,258	9,575,505	(3,357,247)	(35%)
	64,897,856	82,950,898	(18,053,042)	(22%)

Details of material variances

The main reason for the over-expenditure on the votes is that the budget reforms was not implemented according to the requirements and allocations as per the accounting for the expenditure. The total capital budget is underspent by 22%, but there are over-spending on the individual votes by R 6 090 725. The total Operating Budget is exceeded by R 37 798 262, which consists mainly as a result of an under-provision for bad debts as well as impairments on Investment Properties due to the economic climate.

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

	2012 R	2011 R
45.1 <u>Unauthorised expenditure</u>		
Reconciliation of unauthorised expenditure:		
Opening balance	4,460,425	8,780,520
Unauthorised expenditure current year - capita	6,090,725	-
Unauthorised expenditure current year - operating	65,067,817	4,460,425
Written off by council	(4,460,425)	(8,780,520)
Unauthorised expenditure awaiting authorisation	71,158,542	4,460,425

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

The main reasons for the unauthorised expenditure are the insufficient budget for non-cash transactions such as additional provision for doubtful debts and impairments of Investment Properties.

45.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	-	118,071
Written off by council	-	(118,071)
Fruitless and wasteful expenditure awaiting further action	-	-

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

	118,071
-	118,071

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONT.)

	2012 R	2011 R
45.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	6,086,468	1,505,374
Irregular expenditure 2010/2011 restated		3,940,113
Irregular expenditure current year	1,390,557	640,981
Written off by council	(2,146,355)	-
	5,330,670	6,086,468
Irregular expenditure awaiting further action		
Irregular expenditure awaiting condonement from National Treasury	11,417,138	6,086,468

Incident	Disciplinary steps/criminal proceedings
Non-compliance with the Supply Chain Management Policy and not approved by the Accounting Officer - 2011/2012 - R 1 056 989	None
Red Ant Security Services - Director is in the service of the State - R 65 793	None
Mannel Consulting - Principal Shareholder in the service of the State - R 239 845	None
JC Refrigeration - Principal Shareholder in the service of the State - R 27 930	None

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

45.4 Material Losses

Water distribution losses

- Kilolitres purified	3,911,749	4,134,910
- Kilolitres lost during distribution	220,646	368,125
- Percentage lost during distribution	5.64%	8.90%

Electricity distribution losses

- Units purchased (Kwh)	60,530,595	62,214,383
- Units lost during distribution (Kwh)	3,483,001	5,095,254
- Percentage lost during distribution	5.75%	8.19%

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

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

Opening balance	-	-
Council subscriptions	707,129	436,702
Amount paid - current year	(707,129)	(436,702)
Balance unpaid (included in creditors)	-	-

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

Opening balance	-	-
Current year audit fee	2,498,700	2,309,616
External Audit - Auditor-General	2,498,700	2,309,616
Amount paid - current year	(2,498,700)	(2,309,616)
Balance unpaid (included in creditors)	-	-

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT.)

	2012 R	2011 R
46.3 VAT - [MFMA 125 (1)(b)]		
Opening balance	(558,150)	1,726,525
Amounts received - current year	5,783,256	4,956,427
Amounts received - previous years	-	(1,726,525)
Amounts claimed - current year	(5,728,835)	(5,514,577)
Amounts paid	(481,988)	-
Closing balance - Receivable	(985,717)	(558,150)
VAT	1,392,272	1,076,850
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	10,991,273	22,050,589
Output VAT	(9,599,001)	(16,922,274)
Receivable	1,392,272	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.		
46.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	13,714,945	12,223,940
Amount paid - current year	(13,714,945)	(12,223,940)
Balance unpaid (included in creditors)	-	-
46.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contributions	24,664,738	22,057,715
Amount paid - current year	(24,664,738)	(22,057,715)
Balance unpaid (included in creditors)	-	-
46.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2012:		
	2012 R Outstanding more than 90 days	2011 R Outstanding more than 90 days
Damon M	-	254
Wood C	-	5,933
S Baird	-	565
L M de Bruyn	-	738
C T J Simmers	-	902
C Booysen-neft	-	7,031
Total Councillor Arrear Consumer Accounts	-	15,423

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONT.)

46.7 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	177,225	67,306	-	-
Development Services	195,905	-	27,246	-
Financial Services	39,046	215,945	2,387,079	2,193,812
Technical Services	447,139	436,728	-	-
Operations	1,697,801	671,419	319,143	-
	2,557,116	1,391,397	2,733,468	2,193,812

The major deviations approved are as follows:

Incident	Amount R
<i>Elster Kent Metering - Sole Supplier - 8 Purchases</i>	4,271,546
<i>Mubesco Africa - Compilation of Annual Financial Statements, unbundling of infrastructure purchases, actuarial valuations and updating of fixed asset register and classifications in terms of GRAP.</i>	438,900
<i>Insitu Pipelines - Replacement of 400mm sewerage line at Overberg Agri due to urgency</i>	319,143

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

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. The final unauthorised expenditure can only be determined after the finalisation of the Annual Financial Statements.

47 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

Infrastructure

Total

This expenditure will be financed from:

External Loans
Government Grants

2012 R	2011 R
37,821,153	29,111,091
37,821,153	29,111,091
37,821,153	29,111,091
	6,237,546
	22,873,545
-	29,111,091

48 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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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FINANCIAL RISK MANAGEMENT (CONTINUED)

(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:

	2012 R	2011 R
1% (2011 - 0.5%) Increase in interest rates	(978,579)	(413,916)
0.5% (2011 - 0.5%) Decrease in interest rates	489,289	413,916

(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.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

Balances past due not impaired:

2012
%
13,302,730

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.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	2012 %	2012 R	2011 %	2011 R
<u>Non-Exchange Receivables</u>				
Rates	15.82%	16,532,071	25.69%	23,129,545
<u>Exchange Receivables</u>				
Services	84.18%	87,984,971	74.31%	66,899,093
	100.00%	104,517,042	100%	90,028,638

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 banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA and Nedbank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

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 the reporting 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.

	2012 R	2011 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	42,438	45,406
Receivables from exchange transactions	10,812,053	23,416,979
Receivables from non-exchange transactions	2,742,553	4,304,052
Cash and Cash Equivalents	21,413,727	22,623,534
Unpaid conditional grants and subsidies	109,943	182,255
	<u>35,120,714</u>	<u>50,572,226</u>

(e) Liquidity Risk

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

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

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

48

FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2012				
Long Term liabilities - Annuity Loans	17,054,300	61,409,630	58,986,269	57,250,327
Capital repayments	6,506,297	26,004,376	28,609,466	41,023,994
Interest	10,548,003	35,405,254	30,376,803	16,226,333
Long Term liabilities - Stock Loans	1,598,480	6,004,457	10,304,440	20,221,791
Capital repayments	-	-	2,553,169	14,469,801
Interest	1,598,480	6,004,457	7,751,271	5,751,990
Long Term liabilities - Finance Lease Liability	113,680	189,467	-	-
Capital repayments	11,948	86,138	-	-
Interest	101,732	103,329	-	-
Provisions - Landfill Sites	-	30,500,728	-	-
Capital repayments	-	29,048,313	-	-
Interest	-	1,452,416	-	-
Trade and Other Payables	22,350,829	-	-	-
Unspent conditional government grants and receipts	7,387,066	-	-	-
Unspent conditional public contributions and receipts	167,235	-	-	-
	<u>48,671,589</u>	<u>98,104,282</u>	<u>69,290,709</u>	<u>77,472,117</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities - Annuity Loans	13,589,583	50,845,314	47,541,582	59,149,209
Capital repayments	4,627,687	20,274,967	20,471,366	40,112,679
Interest	8,961,896	30,570,347	27,070,216	19,036,530
Long Term liabilities - Stock Loans	3,066,969	6,002,570	8,851,389	23,275,209
Capital repayments	2,842,328	-	1,000,000	16,022,970
Interest	224,641	6,002,570	7,851,389	7,252,239
Long Term liabilities - Finance Lease Liability	49,898	-	-	-
Capital repayments	48,289	-	-	-
Interest	1,609	-	-	-
Provisions - Landfill Sites	-	-	30,500,728	-
Capital repayments	-	-	29,048,313	-
Interest	-	-	1,452,416	-
Trade and Other Payables	19,038,201	-	-	-
Unspent conditional government grants and receipts	2,328,784	-	-	-
Unspent conditional public contributions and receipts	167,235	-	-	-
	<u>38,240,670</u>	<u>56,847,884</u>	<u>86,893,699</u>	<u>82,424,418</u>

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

49	FINANCIAL INSTRUMENTS		2012 R	2011 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.			
49.1	Financial Assets (Restated 2011)	Classification		
	Long-term Receivables			
	Officials Housing Loans	Financial instruments at amortised cost	48,173	52,414
	Receivables			
	Receivables from exchange transactions	Financial instruments at amortised cost	10,812,053	23,416,979
	Receivables from non-exchange transactions	Financial instruments at amortised cost	2,742,553	4,304,052
	Other Receivables			
	Government Subsidies and Grants	Financial instruments at amortised cost	109,943	182,255
	Current Portion of Long-term Receivables			
	Officials Housing Loans	Financial instruments at amortised cost	4,601	4,241
	Short-term Investment Deposits			
	Call Deposits	Financial instruments at amortised cost	15,042,204	15,394,461
	Bank Balances and Cash			
	Bank Balances	Financial instruments at amortised cost	6,365,123	7,222,673
	Cash Floats and Advances	Financial instruments at amortised cost	6,400	6,400
			35,131,050	50,583,475
	SUMMARY OF FINANCIAL ASSETS			
	Financial instruments at amortised cost		35,131,050	50,583,475
	At amortised cost		35,131,050	50,583,475
49.2	Financial Liability (Restated 2011)	Classification		
	Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	108,650,429	90,709,893
	Capitalised Lease Liability	Financial instruments at amortised cost	-	-
	Provisions (Non-current and current) - (Restated 2011)			
	Landfill Sites	Financial instruments at amortised cost	30,500,728	30,500,728
	Payables from exchange transactions			
	Trade creditors	Financial instruments at amortised cost	13,987,558	10,774,673
	Interest portion of long term liabilities	Financial instruments at amortised cost	1,938,215	974,687
	Retentions	Financial instruments at amortised cost	5,698,589	5,483,602
	Sundry Deposits	Financial instruments at amortised cost	709,628	598,903
	Other Payables			
	Government Subsidies and Grants	Financial instruments at amortised cost	7,387,066	2,328,784
	Current Portion of Long-term Liabilities			
	Annuity Loans	Financial instruments at amortised cost	6,506,297	5,223,195
	Capitalised Lease Liability	Financial instruments at amortised cost	11,949	48,289
			175,390,459	146,642,754
	SUMMARY OF FINANCIAL LIABILITY			
	Financial instruments at amortised cost		175,390,459	146,642,754

50 EVENTS AFTER THE REPORTING DATE

The Chief Financial Officer resigned on 7 July 2012. A new Chief Financial Officer was appointed to commence work on 1 September 2012

THEEWATERSKLOOF MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

		2012	2011
		R	R
51	IN-KIND DONATIONS AND ASSISTANCE		
	The DBSA provided technical assistance to the Local Economic Development Department.	1,056,300	

52 PRIVATE PUBLIC PARTNERSHIPS

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

53 CONTINGENT LIABILITY

The municipality does not have a permit or license for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

The Trade Union, IMATU, contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is approximately a general 2% increase in remuneration as from October 2009.

Morne Southon instituted a civil claim against the Municipality for damages that suffered as a result of the Cancellation of Tender Dev 4/2008/09. The Municipality defended the claim and the case will be heard on 8 October 2012 in the Cape High Court.

500,000

54 RELATED PARTIES

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

54.1 Related Party Transactions

	Rates - Levied 1 Jul 11 - 30 Jun 12	Service Charges - Levied 1 Jul 11 - 30 Jun 12	Other - Levied 1 Jul 11 - 30 Jun 12	Outstanding Balances 30 June 2012
Year ended 30 JUNE 2012				
Councillors	32,156	110,638	22	9,968
Carelse G	2,548	7,023	-	1,434
Cupido A	605	4,238	-	460
De Wet N	4,253	-	-	354
De Wet N	-	12,199	-	931
De Wet P	450	4,265	-	364
Hector M	344	4,686	-	130
Hendricks J	3,497	3,642	-	659
Koegelenberg N	8,463	16,937	-	1,362
Nellie J	74	-	-	6
Nellie J	-	12,690	-	910
Papier KI	1,045	10,986	-	524
Punt C	4,253	5,966	-	587
Sileku I	-	3,740	-	-
Sipunzi U	68	3,082	10	261
Swartz J	-	-	-	-
Tsaka M	-	3,833	-	255
Vosloo C	6,557	17,350	12	1,730
Senior Management				
Barnard J	4,483	12,070	-	1,505
Gxoyiya H	-	10,483	24,232	-

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.

54.2 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 2012

54	RELATED PARTIES (CONTINUED)	2012 R	2011 R
54.3	Compensation of key management personnel		
	The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.		
54.4	Other related party transactions		
	The following purchases were made during the year where Councillors or staff have an interest		
	<i>Sinking Ships Trading 5 - T/a J&A Elektriese Werke - Decorative streetlights - Son in law of Deputy Director : Electrical</i>	154,492	365,793
	JDFD Transport - Transport services - Mother of Denver and Fredericks Damons : Technical Services	2,650	-
	Coalition Trading - Construction Services - Husband of Alison Tobias-Meintjies : Assistant Superintendant Streets and Stormwater	431,773	-
	PM Builders - Construction Services - Husband of Alison Tobias-Meintjies : Assistant Superintendant Streets and Stormwater	17,764	-
	Tano Vera - ICT Services - Domestic partner of Manager ICT	24,102	-
	Villiersdorp Sekuriteit - Security and Monitoring Services - Husband of Speaker	53,198	-
	Umthi Omkhulu Trading - Construction services - Husband of Cashier M Thomas	600,387	-
	Finck Attorneys - Legal Services - Husband of Gail Finck - Senior Clerk Clearances	2,927	-
		1,287,293	365,793

APPENDIX A - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
LONG-TERM LOANS							
Stock Loans							
DBSA	10.06%	Loan No. 102275/1	31/03/2009	11,865,299	-	1,842,328	10,022,971
DBSA 9.46% 20 year	9.46%	Loan No. 101487/1 Electricity	31/12/2024	7,873,758	-	1,000,000	6,873,758
DBSA 9.49% 5 year	9.49%	Loan No. 101487/4 Admin/Corp/Refuse	31/12/2009	126,242	-	-	126,242
Total Long-term Loans				19,865,299	-	2,842,328	17,022,971
ANNUITY LOANS							
		Infrastructure					
DBSA 10.95% 10 year	10.95%	Programs101178/1	30/06/2014	3,577,249	-	1,067,021	2,510,228
DBSA	10.74%	Loan No. 102807/1	30/06/2013	11,322,047	-	651,026	10,671,021
DBSA	11.44%	Loan No. 103108/1 (Mun Buildings)	31/12/2018	9,810,450	-	222,904	9,587,546
ABSA	11.35%	11794	31/12/2014	171,726	-	42,497	129,229
ABSA	11.35%	(Sewerage) 11792 (Electricity, Water,	31/12/2014	82,895	-	20,514	62,381
ABSA	11.14%	Sewerage)10858/1	31/12/2018	1,191,628	-	108,738	1,082,890
ABSA	11.14%	(Sewerage)10858/2	31/12/2010	114,497	-	10,448	104,049
DBSA 10.05% 30 year	10.05%	(Sewerage) 13050	31/12/2013	132,045	-	48,953	83,091
DBSA 15.30% 15 year	15.30%	(Electricity) 13062	31/12/2008	3	-	-	3
ABSA	11.35%	(Sewerage) 13051	31/12/2014	41,102	-	10,172	30,931
ABSA	11.35%	(Sewerage) 13052 (Municipal Buildings)	31/12/2014	34,364	-	8,504	25,860
ABSA	11.79%	13060 (Water Service)	31/12/2011	6,515	-	6,515	-
ABSA	11.79%	13056	31/12/2011	4,748	-	4,748	-
DBSA 16.50% 10 year	16.50%	(Roads) 13298	31/12/2009	(21)	-	-	(21)
Sanlam 10% 20 year	10.00%	40513100.00% (Sewerage) 104013	31/12/2010	241	-	-	241
ABSA	11.27%	(12704/101) (Water Service)	31/12/2015	301,007	-	54,684	246,324
ABSA	11.27%	105021(12705/101) 13343(16.50%)	31/12/2015	124,084	-	22,542	101,541
DBSA 16.50% 20 year	16.50%	(Electricity) Electricity (15.75%)	31/12/2019	157,893	-	9,463	148,430
DBSA 15.75% 20 year	15.75%	(13705/102) Network - Elec.(15.00%)	30/06/2020	78,864	-	4,402	74,462
ABSA	11.44%	(11040/102)	31/12/2013	81,783	-	30,013	51,770
DBSA - 20 year	9.85%	103313.1	31/03/2029	21,653,959	-	466,504	21,187,455
DBSA - 15 year	9.97%	103313.2	31/03/2024	6,073,081	-	242,965	5,830,115
DBSA - 10 year	10.00%	103313.3	31/03/2019	927,055	-	80,178	846,877
DBSA - 7 year	9.95%	103313.4	31/03/2016	3,309,668	-	539,503	2,770,165
STANDARD BANK	11.67%	72480009		954,876	-	105,261	849,615
STANDARD BANK	11.72%	72479981		2,926,472	-	181,182	2,745,290
DBSA	11.06%	103817/3		11,199,407	-	174,941	11,024,466
STANDARD BANK	12.22%	272400572		8,209,060	-	205,351	8,003,709
ABSA BANK	10.45%	406885872		3,000,000	-	308,656	2,691,344
ABSA	10.79%	40-7908-8994	27/06/2027		11,785,121		11,785,121
ABSA	9.42%	40-7908-9071	27/06/2019		8,400,000		8,400,000
ABSA	8.25%	8259-8788	27/06/2019		385,711		385,711

APPENDIX A - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2012
ABSA	8.25%	8259-9091	27/06/2019		99,627		99,627
ABSA	8.25%	8259-9741	27/06/2019		614,662		614,662
Total Annuity Loans				85,486,698	21,285,121	4,627,687	102,144,132
LEASE LIABILITY							
Bizhub B250 photo copier				5,070	-	5,070	-
Bizhub B163 photo copier				2,849	-	2,849	-
Bizhub C451 photo copier				12,480	-	12,480	-
Bizhub B250 photo copier				4,370	-	4,370	-
Bizhub C203 photo copier				20,671	-	20,671	-
Bizhub B163 photo copier				2,849	-	2,849	-
25 Dell E5520 Laptops					100,000	1,913	98,087
Total Lease Liabilities				48,289	100,000	50,202	98,087
TOTAL EXTERNAL LOANS				105,400,285	21,385,121	7,520,217	119,265,189

APPENDIX B - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
MUNICIPAL SUB-VOTES CLASSIFICATION

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
-	3,713,888	(3,713,888)	Admin Housing and Informal Settlements	-	3,866,861	(3,866,861)
257,452	7,060,637	(6,803,185)	Admin. : Technical Services	1,530,351	9,715,752	(8,185,401)
-	4,440,051	(4,440,051)	Admin: Operational Services	-	8,305,909	(8,305,909)
-	3,018,400	(3,018,400)	Admin: Planning and Development	-	3,336,455	(3,336,455)
639,568	386,293	253,275	Building Control	771,554	284,600	486,954
304,736	434,891	(130,155)	Cemeteries	315,857	373,669	(57,812)
-	368,856	(368,856)	Civil Protection & Fire Protection	-	875,107	(875,107)
1,721,685	14,207,440	(12,485,755)	Council's General Expenses	1,649,238	14,065,823	(12,416,585)
1,074,979	7,968,716	(6,893,737)	Directorate Corporate Services	1,347,156	13,342,538	(11,995,382)
46,672,483	41,647,714	5,024,769	Electricity Distribution	58,989,450	48,725,539	10,263,911
42,180,563	13,968,825	28,211,738	Financial Services	42,886,206	11,234,027	31,652,179
228,684	1,550,948	(1,322,264)	Human Resources	639,798	2,045,649	(1,405,851)
635,156	3,719,392	(3,084,236)	IDP / LED	556,600	3,636,316	(3,079,716)
-	792,068	(792,068)	Information Technology	-	(964,631)	964,631
-	905,716	(905,716)	Internal Audit	-	1,419,999	(1,419,999)
2,900	1,815,087	(1,812,187)	Law Enforcement	-	2,151,541	(2,151,541)
744,378	4,408,027	(3,663,649)	Library	4,258,073	4,193,798	64,275
-	485,664	(485,664)	Mechanical Workshop	-	362,173	(362,173)
859,235	3,223,896	(2,364,661)	Municipal Manager	568,999	4,233,287	(3,664,288)
5,883	1,277,211	(1,271,328)	Nature reserve	-	1,187,109	(1,187,109)
25,129	433,420	(408,291)	Other	21,825	281,654	(259,829)
18,795	5,073,070	(5,054,275)	Parks and Recreation	(243,437)	5,268,568	(5,512,005)
-	170,202	(170,202)	Pollution Control	-	109,092	(109,092)
60,000	234,183	(174,183)	Proclaimed Main Roads	-	97,849	(97,849)
11,628	2,099,702	(2,088,074)	Property Manangement	-	1,667,956	(1,667,956)
41,133,541	1,135,222	39,998,319	Property Rates	43,250,669	5,837,522	37,413,147
13,658,959	7,108,726	6,550,233	Property Services	8,018,139	47,347,763	(39,329,624)
-	20,197,159	(20,197,159)	Roads	(1,108,279)	20,097,156	(21,205,435)
15,397,344	11,728,832	3,668,512	Sewerage	16,570,100	15,968,242	601,858
-	3,585,940	(3,585,940)	Sewerage Purification	-	3,523,558	(3,523,558)
1,303,567	2,139,308	(835,741)	Sewerage Tanker Services	1,356,923	2,366,826	(1,009,903)
18,522,752	21,258,036	(2,735,284)	Solid Waste	20,276,751	25,109,496	(4,832,745)
16,342	672,589	(656,247)	Sports Grounds	45,879	571,066	(525,187)
53,434,561	23,503,008	29,931,553	Subsidies and Grants	55,405,532	9,442,209	45,963,323
46,008	635,508	(589,500)	Swimming pool & Camping Site	(14,791)	305,491	(320,282)
424,360	2,523,819	(2,099,459)	Town Planning	291,996	2,724,390	(2,432,394)
3,738,751	8,247,813	(4,509,062)	Traffic Services	3,016,984	8,799,992	(5,783,008)
4,634,604	3,447,126	1,187,478	Vehicle Licensing and Testing	4,986,009	3,941,795	1,044,214
36,437,311	28,592,369	7,844,942	Water Distribution	37,466,056	37,712,201	(246,145)
284,191,354	258,179,752	26,011,602	Total	302,853,638	323,564,347	(20,710,709)

APPENDIX C - Unaudited
THEEWATERSKLOOF MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/ (Deficit) R
3,054,116	33,676,844	(30,622,728)	Executive & Council	4,526,745	45,430,022	(40,903,277)
151,495,543	52,188,409	99,307,134	Finance & Administration	150,769,343	80,595,825	70,173,518
1,710,712	11,747,606	(10,036,894)	Planning & Development	1,620,150	11,649,717	(10,029,567)
1,049,114	4,842,918	(3,793,804)	Community & Social Services	4,573,930	4,567,467	6,463
-	3,713,888	(3,713,888)	Housing	-	3,866,861	(3,866,861)
3,766,780	10,865,176	(7,098,396)	Public Safety	3,038,809	12,108,294	(9,069,485)
87,028	7,658,378	(7,571,350)	Sport & Recreation	(212,349)	7,332,234	(7,544,583)
-	170,202	(170,202)	Environmental Protection	-	109,092	(109,092)
18,522,752	21,258,036	(2,735,284)	Waste Management	20,276,751	25,109,496	(4,832,745)
16,700,911	17,454,080	(753,169)	Waste Water Management	17,927,023	21,858,626	(3,931,603)
4,694,604	23,878,468	(19,183,864)	Road Transport	3,877,730	24,136,800	(20,259,070)
36,437,311	28,592,369	7,844,942	Water	37,466,056	37,712,201	(246,145)
46,672,483	41,647,714	5,024,769	Electricity	58,989,450	48,725,539	10,263,911
-	485,664	(485,664)	Other	-	362,173	(362,173)
284,191,354	258,179,752	26,011,602	Total	302,853,638	323,564,347	(20,710,709)

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

Grant Description	Balance 30 JUNE 2011	Grants Received	Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2012
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS				
	R	R	R	R
<u>National Government Grants</u>				
Equitable Share	-	44,750,000	(44,750,000)	-
EPWP	1,427,639	973,000	(1,464,372)	936,267
National Electrification Program	-	1,000,000	(1,000,000)	-
Municipal Infrastructure Grant	-	21,577,000	(19,549,524)	2,027,476
MSIG Funds	136,458	1,200,000	(1,336,458)	0
Finance Management Grant	356,033	1,250,000	(1,715,976)	(109,943)
Neighbourhood Development Programme Grant		2,000,000	(127,272)	1,872,728
Regional Bulk Infrastructure Grant (RBIG)		276,983	(276,983)	-
Total National Government Grants	1,920,130	73,026,983	(70,220,585)	4,726,528
<u>Provincial Government Grants</u>				
Spatial Development Framework	30,469	-	-	30,469
Botrivier Development Contribution	38,889	-	-	38,889
CDW's	52,484	190,900	(145,238)	98,146
Project Reparation	69,400	-	-	69,400
Housing	(182,255)	33,290,623	(31,623,753)	1,484,615
Multi Purpose Bus	62,102	-	-	62,102
Main Roads Subsidy	-	2,828,000	(2,828,000)	-
Library Subsidy	-	4,234,000	(4,234,000)	-
Financial Support Grant		400,000		400,000
Total Provincial Government Grants	71,089	40,943,523	(38,830,991)	2,183,621
<u>Other Grant Providers</u>				
DBSA GIS	23,167	-	(22,224)	943
DBSA Local Economic Development	132,142	790,488	(556,600)	366,030
SETA	-	639,798	(639,798)	-
Total Other Grant Providers	155,309	1,430,286	(1,218,622)	366,973
Total	2,146,528	115,400,792	(110,270,198)	7,277,122