

MOSSEL BAY MUNICIPALITY



2010 / 2011
2010 / 2011



ANNUAL
Financial Statements

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

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GENERAL INFORMATION

Mayoral Committee:	Alderslady M Ferreira (Executive Mayor)
	Councillor H Levendal (Executive Deputy Mayor)
	Alderman J van der Merwe (Chairperson of Finance, Human Resources and Legal Services Committee)
	Alderman E Scheepers (Chairperson of Technical Services and Tourism Committee)
	Councillor C Bayman (Chairperson of Housing Committee)
	Councillor S Moodie (Chairperson of Community Services Committee)
	Councillor V Fortuin (Chairperson of Social Services & Local Economic Development Committee)
Speaker:	Alderman KH Smit
Ward Councillors:	
1 Clr N R Mzola (ANC)	2 Clr N P Jwili (ANC)
3 Clr T M N Mkayo (ANC)	4 Alderman K H Smit (DA)
5 Clr J J Gerber (DA)	6 Alderman E Scheepers (DA)
7 Alderman J van der Merwe (DA)	8 Alderman N J Lodewyks (DA)
9 Clr E Meyer (DA)	10 Clr P Terblanche (DA)
11 Clr P A Du Plessis (DA)	12 Clr N P Malilwana (ANC)
13 Clr S Moodie (DA)	14 Clr J C Bayman (DA)
Proportional Representative Councillors:	
Clr N C Booisen (DA)	Clr L Boom (ANC)
Clr E M Booisen (ANC)	Alderslady M Ferreira (DA)
Clr V Fortuin (DA)	Clr SS Mbandezi (ANC)
Clr H Levendal (DA)	Clr F N Mdumiso (ANC)
Clr D Nqayi (DA)	Clr J Siyoko (DA)
Clr R Skombingo (ANC)	Clr D van Rensburg (ACDP)
Clr M M van Wyk (ANC)	Clr J H Floors (DA)
Auditors:	The Auditor-General Private Bag X1 CHEMPET, 7442
Bankers:	NEDBANK
Accounting officer:	Dr. M Gratz
Chief Financial Officer:	Mr. HF Botha

MOSSEL BAY MUNICIPALITY

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Registered Office:

Civic Centre
101 Marsh Street
Mossel Bay
6506

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6500

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MOSSEL BAY MUNICIPALITY

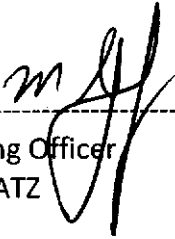
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CERTIFICATION BY ACCOUNTING OFFICER

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 1 to 104 in terms of Section 126(1) of the Municipal Finance Management Act, No 56 of 2003, and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in Note 30 of these Annual Financial Statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.

Accounting Officer
DR M GRATZ



Date

31/08/2011

MOSSEL BAY MUNICIPALITY

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REPORT OF THE AUDITOR-GENERAL

The report of the Auditor-General will to be added as soon as the 2010/11 audit process is completed.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

1 INTRODUCTION

It gives me great pleasure to present the financial position of Mossel Bay Municipality at 30 June 2011 and the results of its operations and cash flows for the year then ended.

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

2 KEY FINANCIAL INDICATORS

The following are some of the key financial indicators, comparing the 2010/11 financial performance of the municipality to the 2009/10 comparative figures:

RATIO DESCRIPTION	2009/10	2010/11
<u>REVENUE MANAGEMENT</u>		
<i>Level of reliance on Government grants</i>	18,0%	26,9%
<i>Actual income vs Budgeted income*</i>	(10,0%)	(6,6%)
<u>EXPENDITURE MANAGEMENT</u>		
<i>Personnel costs to total expenditure</i>	34,4%	27,5%
<i>Actual expenditure vs Budgeted expenditure*</i>	(14,1%)	(7,2%)
<i>Interest paid as a per centage of total expenditure</i>	0,2%	0,1%
<i>Repairs and maintenance / PPE (carrying amount)</i>	3,0%	2,4%
<i>Repairs and maintenance / Total expenditure</i>	6,6%	4,8%
<u>ASSET MANAGEMENT</u>		
<i>Acquisition of PPE – Actual vs Budgeted**</i>	(13,5%)	(10,2%)
<i>Stockholding period</i>	16 days	16 days
<u>DEBT MANAGEMENT</u>		
<i>Creditors payment period</i>	28 days	25 days
<i>Debtors collection period</i>	64 days	60 days
<u>LIQUIDITY</u>		
<i>Current ratio</i>	2,3 : 1	1,8 : 1
<i>Acid Test ratio</i>	2,2 : 1	1,7 : 1
<i>Turnover of accounts receivable</i>	5,5 : 1	5,8 : 1
<i>Cash to Interest</i>	179,7 : 1	236,1 : 1
<i>Debt to Cash</i>	1,1 : 1	1,4 : 1
<i>Cash to Income</i>	(31,4) : 1	1,2 : 1
<i>Total Liabilities / Total Assets</i>	0,1 : 1	0,1 : 1

* Refer to Appendix E(1) for explanations on variances.

** Refer to Appendix E(2) for explanations on variances.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

3 LIQUIDITY POSITION OF MUNICIPALITY

3.1 Liquidity

There are two main liquidity ratios that can be used to analyse the liquidity position of the Municipality, namely the Current and Acid Test ratios. There are various other liquidity ratios that can be utilised to assess the Municipality's liquidity position.

The calculation of these ratios is as follows:

RATIO DESCRIPTION	FORMULA	2009/10	2010/11
<u>Current ratio</u>	Current Assets	279 133 545	248 958 524
	Current Liabilities	121 940 636	139 165 496
		2,3	1,8
<u>Acid Test ratio</u>	Current Assets – Inventory	266 786 003	234 645 584
	Current Liabilities	121 940 636	139 165 496
		2,2	1,8
<u>Turnover of accounts receivable</u>	Revenue (credit)	340 839 465	400 459 072
	Accounts receivable	62 090 013	68 706 207
		5,5	5,8
<u>Debt to cash</u>	Total Liabilities	204 792 031	235 806 978
	Cash balance at end of period	178 743 268	164 174 599
		1,1	1,4

The above ratios show that the Municipality is in a very liquid position, with current assets of almost double the current liabilities. The ratio for the year under review has, however deteriorated compared to the 2009/10 financial year. The Municipality generates 5,8 times more revenue than what the outstanding accounts are. The debtors' collection period has also improved from 64 days in 2009/10 to 60 days in the 2010/11 year.

MOSSEL BAY MUNICIPALITY

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4 OPERATING RESULTS

4.1 Summary of Results

Details of the operating results per segmental classification are included in Appendix C and D, while operational results per category, together with an explanation of significant variances of more than 10 per cent from the adjusted budget, are included in Appendix E(1).

These amounts are based on the total position of the municipality (including non-cash transactions):

DESCRIPTION	Actual 2009/10	Actual 2010/11	Variance	Adjusted Budget 2010/11	Variance
INCOME					
Opening surplus/(deficit)	1 369 612 005	1 387 396 516	1,3%		
Operating income for the year	521 483 132	723 513 024	38,7%	774 935 140	(6,6%)
Fair value adjustment	97 661 960	-	(100%)	-	
Gain on Disposal of PPE	9 897 430	74 394	(99,2%)	32 004	
Appropriations for the year	28 971 884	50 745 988	75,2%		
	2 027 626 412	2 161 729 921	6,6%	774 967 144	178,9%
EXPENDITURE					
Operating expenditure for the year	447 968 184	583 659 861	30,3%	628 730 030	(7,2%)
Sundry transfers	5 489 832	-325 768	(105,9%)		
Fair Value adjustment	186 421 240	-	(100%)	-	
Loss on Disposal of PPE	350 640	849 963	142,4%	108 000	
Closing surplus/(deficit)	1 387 396 516	1 577 545 866	13,7%	146 129 114	
	2 027 626 412	2 161 729 921	6,6%	774 967 144	170,6%

The accumulated surplus at 30 June 2011 amounted to R1 577,5 million. The accumulated surplus of R1 387,4 million at 30 June 2010 was restated with previous year corrections of R325 768, amounting to R1 387,7 million. This indicates an increase of R189,8 million or 13,7% in the accumulated surplus from the 2009/10 financial year to the 2010/11 financial year.

The operating income increased by 38,7 per cent to R723,5 million from the previous financial year's income of R521,5 million. The main contributor to this is the increase in grants and subsidies as well as public contributions in order to fund the Seawater Desalination Plant project. The operating expenditure increased by 30,3 per cent to R583,6 million.

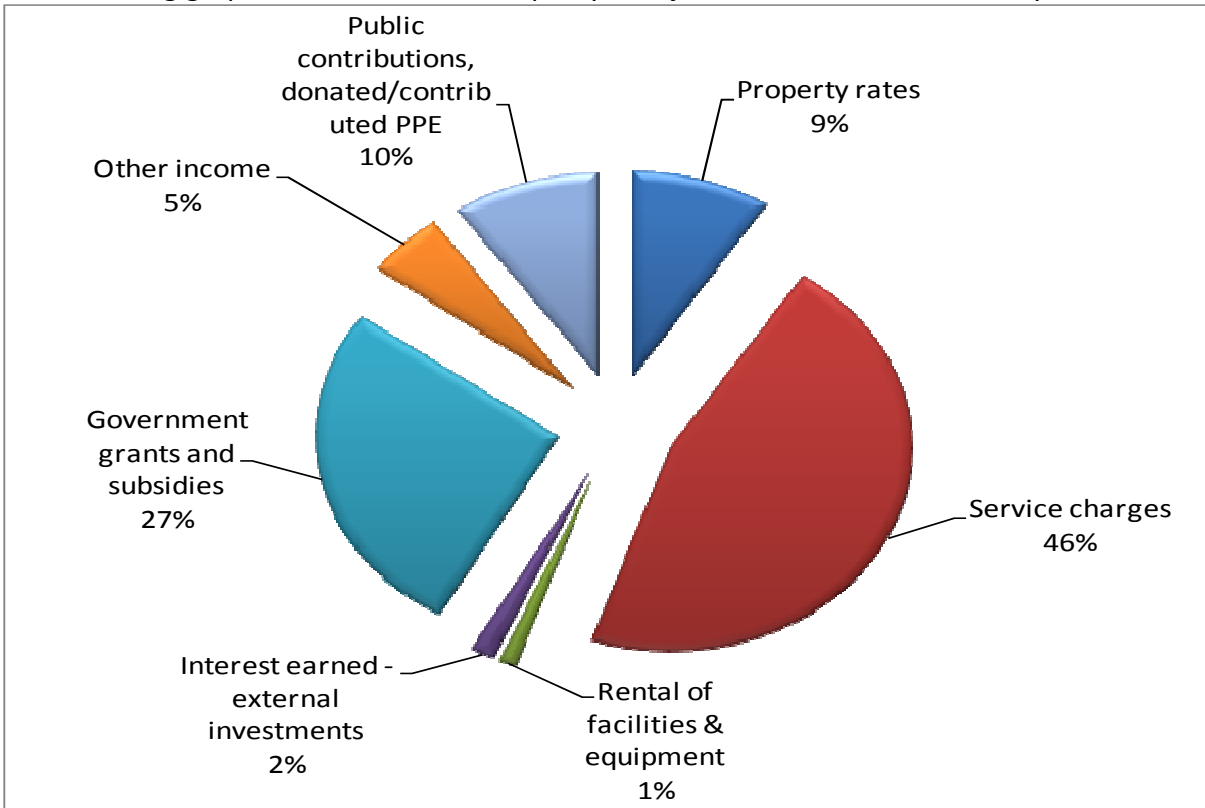
The Municipality's financial statements ended on a surplus of R139,1 million. It must, however, be taken into account that various non-cash transactions is included in this surplus. If these non-cash transactions are taken into account, the cash surplus comes to R1,3 million.

MOSSEL BAY MUNICIPALITY

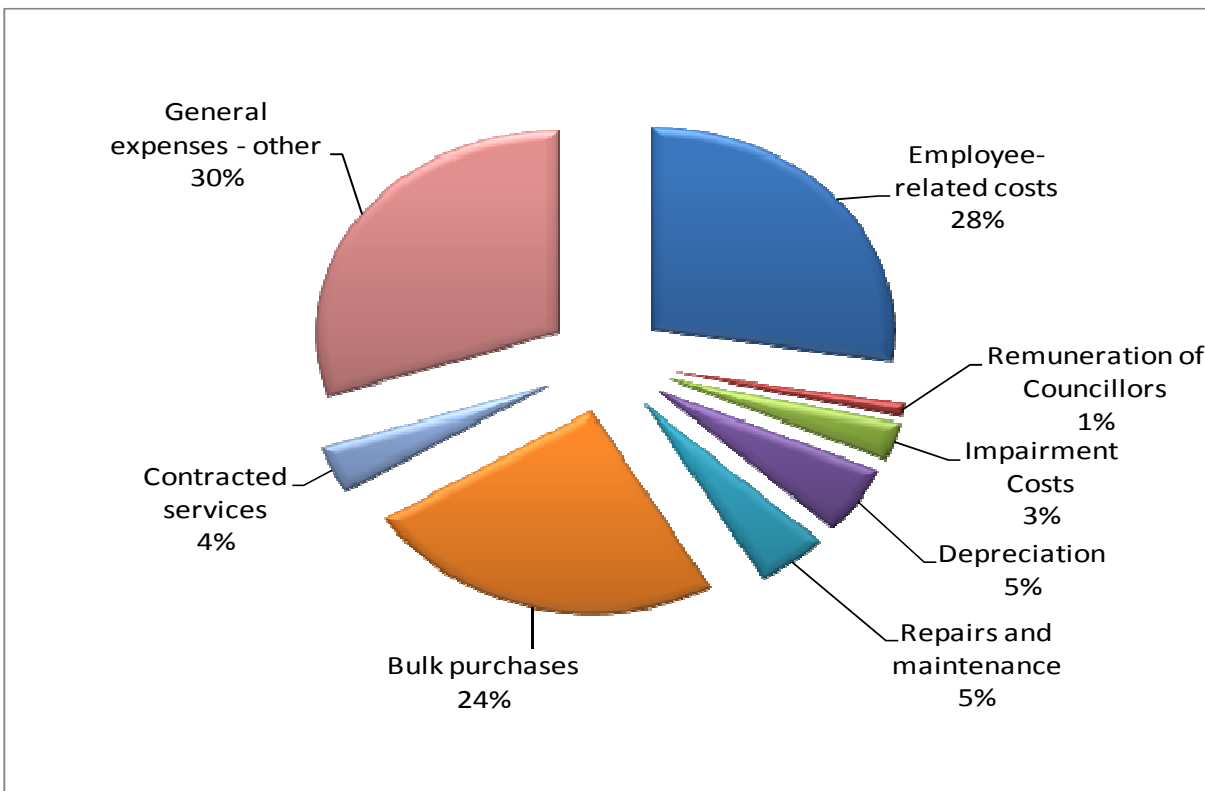
Annual Financial Statements for the year ended 30 June 2011

4.2 Operating Revenue and Expenditure

The following graph indicates the Municipality's major revenue sources for the year under review:



The following graph indicates the Municipality's major types of expenditure for the year under review:



MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

4.3 Rates and General Services

DESCRIPTION	Actual 2009/10	Actual 2010/11	Variance	Adjusted Budget 2010/11	Variance
Income	325 056 941	244 651 052	(24,7%)	281 776 893	(13,2%)
Expenditure	450 677 377	286 560 012	(36,4%)	314 642 206	(8,9%)
Surplus/(deficit)	(125 620 436)	(41 908 959)	(66,6%)	(32 865 313)	(27,5%)
Surplus/(deficit) as % of total income	(38,6%)	(17,1%)		(11,7%)	

Variance from 2009/10 Actual:

The deficit with regards to Rates and other General services amount to R41 908 959 for the 2010/11 financial year. The 2009/10 financial year's deficit was R125,6 million. However, this is not a cash deficit as fair value adjustments were made to investment property and taken into account.

Variance from 2010/11 Budget:

The total actual income is 13,2 per cent lower than the budgeted amount of R281,8 million for the 2010/11 financial year. The expenditure is 8,9 per cent less than the budgeted amount of R314,6 million.

4.4 Trading Services

The Municipality purchases electricity in bulk from Eskom and then redistributes it to the consumers. The electricity tariffs are considered together with all other tariffs during the compilation of the operational budget. Any increase in the electricity tariffs must be approved by the National Electricity Regulator before the Municipality can implement it. Eskom normally adjusts its tariffs in January of every year but the Municipality endeavours to limit its increase to only one increase during July every year. The Municipality has some of its own water sources and also purchases water from the Department of Water Affairs, which is then supplied from the Klipheuwel Dam and the Wolwedans Dam.

4.4.1 Electricity

DESCRIPTION	Actual 2009/10	Actual 2010/11	Variance	Adjusted Budget 2010/11	Variance
Income	190 099 315	233 575 296	22,9%	234 235 248	(0,3%)
Expenditure	135 841 107	164 641 498	21,2%	168 866 210	(2,5%)
Surplus/(deficit)	54 258 207	68 933 798	27%	65 369 038	(5,5%)
Surplus/(deficit) as % of total income	28,5%	29,5%		27,9%	

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Annual Financial Statements for the year ended 30 June 2011

Variance from 2009/10 Actual:

The Electricity service showed a surplus for both the 2009/10 and the 2010/11 financial years, with an increase of 27 per cent between the two years. The surplus of R68,9 million for the 2010/11 financial year represents a profit of 29,5 per cent. A profit of 28,5 per cent was realised in the 2009/10 financial year.

Variance from 2010/11 Budget:

The total actual income is 0,3 per cent lower than the budgeted amount of R234 million for the 2010/11 financial year. The expenditure is 2,5 per cent less than the budgeted amount of R168,9 million.

The following table provides information on electricity distribution:

ELECTRICITY DISTRIBUTION	2009/10 Financial year	2010/11 Financial year
Units purchased (kWh)	287 022 603	285 600 053
Purchase price per kWh	34 cents	44 cents
Units sold (kWh)	257 585 450	259 925 733
Free units	7 912 380	8 189 210
Units lost during distribution (kWh)	21 524 773	17 485 110
Percentage lost during distribution	7,5 %	6,12 %
Total cost per unit	39,65 cents	51,05 cents
Net sales per unit	66 cents	71 cents
Total income	R174 182 783	R186 274 409

4.4.2 Water

DESCRIPTION	Actual 2009/10	Actual 2010/11	Variance	Adjusted Budget 2010/11	Variance
Income	103 988 836	245 286 676	135,9%	258 922 999	(5,3%)
Expenditure	47 870 940	132 458 351	176,7%	145 221 614	(8,8%)
Surplus/(deficit)	56 117 896	112 828 325	101,1%	113 701 385	(0,8%)
Surplus/(deficit) as % of total income	54,0%	46,0%		43,9%	

Variance from 2009/10 Actual:

The Water service showed a surplus for both the 2009/10 and 2010/11 financial years. The surplus of R112,8 million for the 2010/11 financial year represents a profit of 46 per cent, whereas a profit of 54 per cent was realised in the 2009/10 financial year.

Variance from 2010/11 Budget:

The total actual income is 5,3 per cent less than the budgeted amount of R258,9 million for the 2010/11 financial year, while the expenditure is 8,8 per cent less than the budgeted amount of R145,2 million.

MOSSEL BAY MUNICIPALITY

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The following provides information on water distribution:

WATER DISTRIBUTION	2009/10 Financial year	2010/11 Financial year
<i>Mega litres purified</i>	6 471	5 302
<i>Mega litres sold</i>	5 076	4 463
<i>Mega litres lost during distribution</i>	1 395	839
<i>Percentage lost during distribution</i>	21,56%	15,83%

5 CAPITAL EXPENDITURE AND FINANCING

The capital expenditure during the year as stated in the financial statements amounted to R233 929 147 and was financed as follows:

SERVICE AREA	2010/11 Actuals	% of Total Capital Expenditure
<i>Community services/facilities</i>	2 658 484	1,1%
<i>Electricity</i>	27 261 164	11,7%
<i>Housing</i>	5 414 558	2,3%
<i>Refuse</i>	1 890 010	0,8%
<i>Sanitation</i>	14 278 140	6,1%
<i>Streets and Storm water</i>	22 892 950	9,8%
<i>Water</i>	149 867 013	64,1%
<i>Other</i>	9 666 828	4,1%
TOTAL	233 929 147	100%

The capital expenditure was financed as follows:

SOURCE OF FINANCE	2010/11 Actuals	% of Total Capital Funding
<i>Capital Replacement Reserve</i>	96 852 170	41,4%
<i>Grants and Subsidies</i>	122 138 592	52,2%
<i>Public contributions</i>	9 191 653	3,9%
<i>Other</i>	5 773 731	2,5%
TOTAL	233 929 147	100%

Property, Plant and Equipment is funded to a great extent from the Capital Replacement Reserve. The increase in funding from Grants is due to the funds made available for the Seawater Desalination Plant project. The municipality received grant funding to the amount of R92 million towards this project from the Department of Water Affairs and Forestry.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

6 CAPITAL REPLACEMENT RESERVE

The Capital Replacement Reserve balance at 30 June 2011 amounted to R24 798 579 (R74 208 578 as at 30 June 2010).

The Capital Replacement Reserve replaces the previous statutory funds, such as the Consolidated Capital Development and Loans Fund. It is a cash-backed reserve established to enable the Municipality to finance future capital expenditure. Cash contributions, depending on the availability thereof, are made annually to the reserve.

The Municipality, in conjunction with its own capital requirements and external funds (external loans and grants) is able to finance its annual infrastructure capital programme.

Refer to the Statement of Changes in Net Assets for more detail.

7 EXTERNAL LOANS, INVESTMENTS AND CASH

On 30 June 2011 the outstanding external loans amounted to R662 125 (R730 504 in 2010). Annuity loans to the amount of R77 039 were redeemed during this financial year.

The Municipality's cashbook showed a negative balance of R844 061 and Petty Cash to the amount of R18 660 on 30 June 2011. The bank account showed a positive balance of R29 697 695 with external investments amounting to R165 million against the R187 million of the previous year.

More particulars regarding external loans and investments appear in Notes 5 and 22 of the Annual Financial Statements, as well as Appendix A.

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8 FUNDING OPTIONS OF INVESTMENT PORTFOLIO

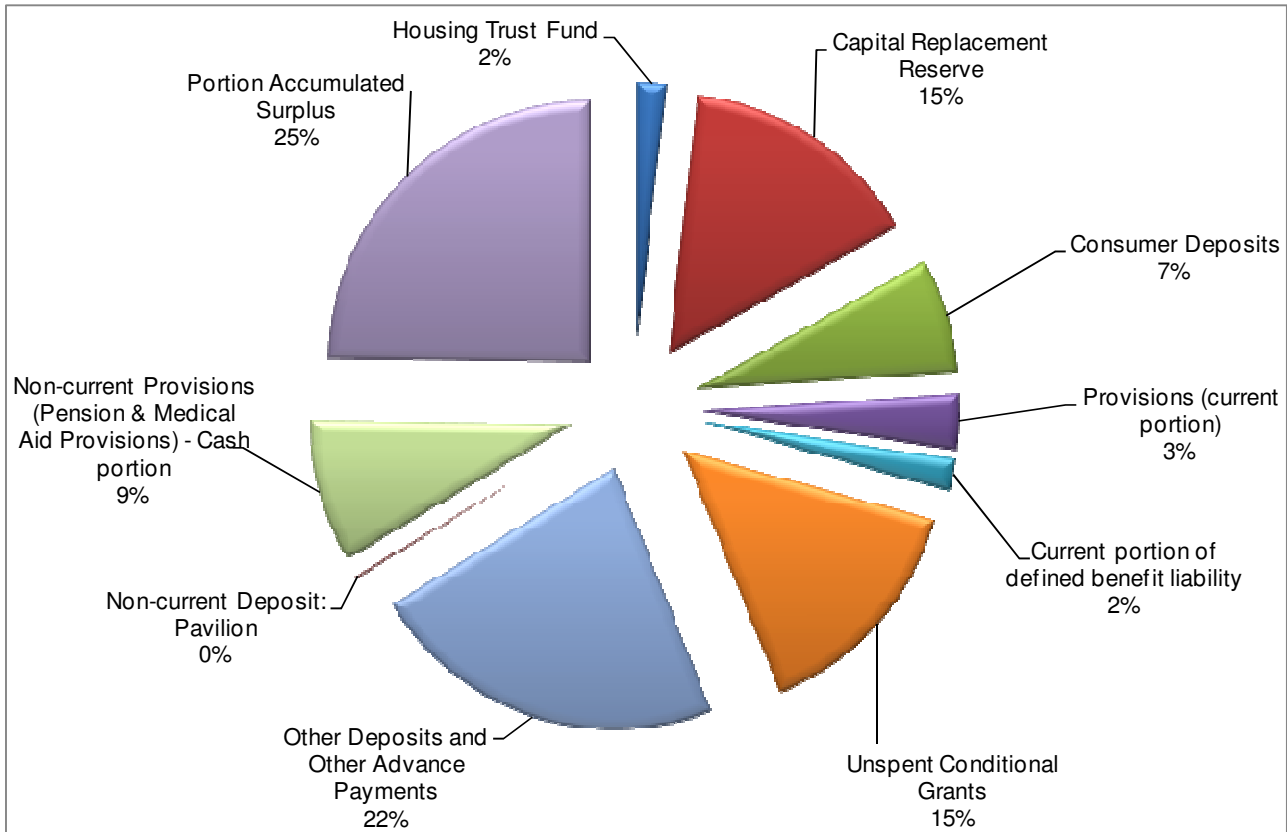
The table below shows the allocation of the investment portfolio towards the funding of various obligations:

Allocation of Cash		
Investments		-
Bank Balances and Cash		165,018,660
		165,018,660
Less: Bank Overdraft		844,061
		164,174,599
Allocated to:		
Housing Trust Fund	2,880,298	
Capital Replacement Reserve	24,798,579	
Consumer Deposits	11,615,474	
Provisions (current portion):	5,577,742	
Rehabilitation of Landfill sites	716,000	
Clearing of Alien Vegetation	690,000	
Pension Fund Investment Shortfall	4,171,742	
Current portion of defined benefit liability	3,205,936	
Post Retirement benefits	2,390,065	
Long service awards	815,871	
Unspent Conditional Grants	23,987,119	
Other Deposits and Other Advance Paymer	36,730,603	
Retentions	19,369,089	
Payments Received in Advance	11,040,668	
Other Deposits	6,320,847	
Non-current Deposit: Pavilion	220,309	
Non-current Provisions (Pension & Medical Aid Provisions) - Cash portion	14,520,643	
Post Retirement benefits	9,344,060	
Long service awards	611,091	
Clearing of Alien Vegetation	3,876,660	
Rehabilitation of Landfill sites	688,832	
Portion Accumulated Surplus	40,637,897	164,174,599
		-

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

The graph below shows the percentage allocation of the investment portfolio towards the funding of various obligations:



9 NON-CURRENT PROVISIONS

These provisions are made in order to enable the Municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Non-current provisions amounted to R4 565 492 as at 30 June 2011 (R1 657 663 as at 30 June 2009) and are made up as follows:

Rehabilitation of Landfill Sites	R3 876 660
Clearing of Alien Vegetation	<u>R 688 832</u>
	<u>R4 565 492</u>

Refer to Note 6 of the Annual Financial Statements for more detail.

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Annual Financial Statements for the year ended 30 June 2011

10 EMPLOYEE BENEFITS

These liabilities are in order to enable the municipality to be in a position to fulfil its known legal obligations with regards to employee benefits when they become due and payable.

The Employee benefits liability amounted to R90 838 558 as at 30 June 2011 (R78 885 677 as at 30 June 2010) and is made up as follows:

Post Employment Health Care Benefits	R 83 314 019
Ex-Gratia Gratuities	R 1 349 921
Long Service Awards	<u>R 6 174 618</u>
	<u>R 90 838 558</u>

Refer to Note 7 of the Annual Financial Statements for more detail.

11 CURRENT LIABILITIES

Current Liabilities are those liabilities of the Municipality due and payable in the short term (less than 12 months). There is no known reason as to why the Municipality would not be able to meet its obligations. Current Liabilities amounted to R139 165 496 as at 30 June 2011 (R121 940 636 as at 30 June 2010) and are made up as follows:

Consumer deposits	Note 9	R 11 615 474
Provisions	Note 10	R 5 577 742
Current portion of Employee benefits	Note 7	R 3 205 936
Payables from Exchange transactions	Note 11	R 92 724 113
Unspent conditional grants and receipts	Note 12	R 23 987 119
Cash and Cash Equivalents	Note 22	R 844 061
Operating Lease Liability	Note 23	R 50 991
Current portion of Finance Lease Liabilities	Note 4	R 993 344
Current portion of Long-term Liabilities	Note 5	<u>R 166 718</u>
		<u>R139 165 496</u>

12 CURRENT ASSETS

Current Assets amounted to R248 958 524 as at 30 June 2011 (R279 133 545 as at 30 June 2010) and is made up as follows:

Inventory	Note 18	R 14 312 940
Trade receivables from Exchange	Note 19	R 39 330 985
Other receivables from Non-Exchange	Note 20	R 26 824 618
Current portion of long-term receivables	Note 17	R 400 656
Taxes	Note 13	R 2 966 366
Cash and Cash Equivalents	Note 22	R165 018 660
Operating Lease Assets	Note 23	<u>R 104 300</u>
		<u>R248 958 524</u>

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Annual Financial Statements for the year ended 30 June 2011

13 TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS

The net balance of Trade and Other receivables from Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2011</i>	<i>As at 30 June 2010</i>	<i>Variance</i>
Service debtors:	37 716 426	34 882 022	8,1%
- Electricity	13 438 837	10 616 158	26,6%
- Water	10 414 688	9 240 010	12,7%
- Refuse	3 881 775	3 667 887	5,8%
- Sewerage	9 981 126	11 357 967	(12,1%)
Debtpack collections	14 453	2 308	526,3%
Land Sales	4 022	3 539	13,6%
Housing instalments	590 756	588 942	0,3%
Housing rentals	238 549	234 450	1,7%
Other	766 780	373 021	105,6%
TOTAL	39 330 985	36 084 281	9,0%

The net balance of Other receivables from Non-Exchange transactions is indicated below:

<i>DEBTOR</i>	<i>As at 30 June 2011</i>	<i>As at 30 June 2010</i>	<i>Variance</i>
Rates	7 870 678	6 807 719	15,6%
Accrued Income	4 018 485	4 655 571	(13,6%)
Other	14 935 455	31 706 780	(52,9%)
TOTAL	26 824 618	43 170 070	(37,9%)

The Municipality has during the financial year written off bad debts to the amount of R12 414 419.

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Annual Financial Statements for the year ended 30 June 2011

14 EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, Executive Deputy Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Directors for the support extended during the financial year. I would also like to extend a special word of thanks to all staff who assisted with the collation of year-end information. Without their valuable contributions and assistance these Annual Financial Statements would not have been possible.

A handwritten signature in black ink, appearing to read 'HF Botha', with a long horizontal flourish extending to the right.

HF BOTHA
B. Com. AIMTR (S.A.)
CHIEF FINANCIAL OFFICER

Date: 31 August 2011

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net assets		1609 490 800	1470 413 206
Housing development fund	2	7 146 355	8 482 344
Reserves	3	24 798 579	74 208 578
Capital replacement reserve		24 798 579	74 208 578
Accumulated surplus		1577 545 866	1387 722 284
Non-current liabilities		96 641 481	82 851 396
Employee benefits	7	90 838 558	78 885 677
Non-current provisions	6	4 565 492	1 657 663
Finance Lease liability	4	521 716	1 522 491
Other Long-term liabilities	5	495 407	573 308
Non-current deposits	8	220 309	212 257
Current liabilities		139 165 496	121 940 636
Consumer deposits	9	11 615 474	10 161 299
Provisions	10	5 577 742	6 425 326
Current portion of Employee benefits	7	3 205 936	3 334 688
Payables from Exchange transactions	11	92 724 113	75 888 671
Unspent conditional grants and receipts	12	23 987 119	13 753 518
VAT Payable	13	-	2 314 520
Cash and cash equivalents	22	844 061	8 270 712
Operating Lease Liability	23	50 991	110 907
Current portion of Finance lease liability	4	993 344	1 523 799
Current portion of long-term liabilities	5	166 718	157 196
Total Net Assets and Liabilities		1845 297 778	1675 205 237
ASSETS			
Non-current assets		1596 339 254	1396 071 692
Property, plant and equipment	14	1181 174 463	980 453 150
Intangible Assets	15	273 978	287 262
Investment Property	16	412 957 001	413 143 373
Long-term receivables	17	1 933 812	2 187 907
Investments	21	-	-
Current assets		248 958 524	279 133 545
Inventory	18	14 312 940	12 347 542
Receivables from Exchange transactions	19	39 330 985	36 084 281
Other receivables from non-exchange transactions	20	26 824 618	43 170 071
Current portion of long-term receivables	17	400 656	409 954
VAT Receivable	13	2 966 366	-
Cash and Cash equivalents	22	165 018 660	187 013 980
Operating Lease Assets	23	104 300	107 717
Total Assets		1845 297 778	1675 205 237

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

Budget			Actual	
2010 R	2011 R	Note	2011 R	2010 R
REVENUE				
198 785 818	375 739 584		333 174 100	177 121 263
54 711 495	64 646 039		64 540 291	54 966 604
54 711 495	64 646 039		64 540 291	54 966 604
141 005 172	307 990 344		265 222 904	119 426 360
138 388 682	221 610 847		194 332 650	94 046 805
2 616 490	86 379 497		70 890 254	25 379 555
3 069 151	3 103 201		3 410 905	2 728 299
3 069 151	3 103 201		3 410 905	2 644 440
-	-		-	83 859
380 651 394	399 195 556		390 338 924	344 361 869
1 570 000	2 125 335		2 072 580	2 143 779
292 485 594	325 512 495	25	333 503 898	283 375 367
8 771 727	8 957 097		8 629 948	8 461 372
20 947 197	11 255 312		11 971 259	18 488 515
510	-		-	510
361 845	341 243		342 303	353 715
4 232 546	4 477 114		4 448 112	4 315 156
52 281 975	46 526 960	27	29 370 824	27 223 456
579 437 212	774 935 140		723 513 024	521 483 132
EXPENDITURE				
149 428 532	174 703 130	29	160 539 586	153 957 930
6 069 092	6 458 786	30	6 234 907	5 781 129
13 036 328	10 008 079	31	17 716 874	12 513 624
3 413 000	4 832 300		4 728 181	3 362 747
29 843 561	31 612 567	32	31 841 659	25 732 514
159 153	123 551	32	13 284	154 471
-	-		3 715 119	5 340 126
34 358 804	37 914 949		28 119 617	29 781 327
660 001	850 787	33	695 464	994 701
114 904 343	132 395 145	34	141 955 515	105 502 690
21 035 022	26 798 985	35	22 346 405	19 495 580
2 843 324	3 194 096	36	3 134 299	2 672 503
145 775 584	199 837 655	37	162 618 950	82 678 842
521 526 744	628 730 030		583 659 861	447 968 184
5 070 000	32 004		74 394	9 897 430
(50,000)	(108,000)		(849,963)	(350,640)
-	-	38	-	(88, 759,280)
62 930 468	146 129 114		139 077 595	(5, 697,542)
SURPLUS/(DEFICIT) FOR THE YEAR				
Refer to Appendix E(1) for explanations of variances				

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

	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus / (Deficit)	Total
	R	R	R	R
2010				
Balance at 1 July 2009	9 854 239	101 808 566	1369 612 005	1481 274 811
Prior Year Adjustments (Note 39)			(5 489 832)	(5 489 832)
Change in accounting policy (Note 40)			-	-
Change in accounting estimate (Note 41)			-	-
Restated Balance at 1 July 2009	9 854 239	101 808 566	1364 122 173	1475 784 979
Surplus/(deficit) for the year			(5 697 542)	(5 697 542)
Transfer to CRR		48 978 986	(48 978 986)	-
Proceeds on disposal				-
Contribution from CRR - purchase PPE		(76 578 974)	76 578 974	-
Transfer to FDR Government Grants Reserve			-	-
Transfer to FDR Don. and Public Contri. Reserve			-	-
Transfer to Housing Development Fund	238 122		(238 122)	-
Transfer from Housing Development Fund	(1 610 017)		1 610 017	-
Offsetting of depreciation			-	-
Asset disposals			(0)	(0)
Balance at 30 June 2010	8 482 344	74 208 578	1387 396 516	1470 087 437
2011				
Prior Year Adjustments (Note 39)			325 768	325 768
Change in accounting policy (Note 40)			-	-
Change in accounting estimate (Note 41)			-	-
Restated balance at beginning of the year	8 482 344	74 208 578	1387 722 284	1470 413 206
Surplus/(deficit) for the year			139 077 595	139 077 595
Transfer to CRR		47 415 172	(47 415 172)	-
Proceeds on disposal				-
Contribution from CRR - purchase PPE		(96 825 170)	96 825 170	-
Transfer to FDR Government Grants Reserve			-	-
Transfer to FDR Don. and Public Contri. Reserve			-	-
Transfer to Housing Development Fund	187 048		(187 048)	-
Transfer from Housing Development Fund	(1 523 037)		1 523 037	-
Offsetting of depreciation			-	-
Asset disposals			0	0
Balance at 30 June 2011	7 146 355	24 798 579	1577 545 866	1609 490 800

CASH FLOW STATEMENT

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
<u>Receipts:</u>		730 104 400	475 952 843
Ratepayers		407 934 727	314 140 338
Government - Operating		70 042 863	45 090 112
Government - Capital		137 368 784	70 951 885
Other		114 758 026	45 770 508
<u>Payments:</u>		521 911 714	383 222 815
Suppliers		202 133 003	148 752 398
Employees		151 853 967	142 734 404
Other		167 924 745	91 736 013
Cash generated from/(utilised in) operations	44	208 192 686	92 730 029
Interest received		12 313 562	18 842 230
Interest paid		(695 464)	(994 701)
Net cash from operating activities		219 810 783	110 577 557
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment		(233 929 147)	(146 105 305)
Proceeds on disposal of Property, Plant & Equipment		(775 569)	11 217 265
(Increase)/decrease in investment properties	16	186 373	1 255 000
(Increase)/decrease in long-term receivables	17	284 325	314 057
Net cash from investing activities		(234 234 018)	(133 318 983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in consumer deposits	9	1 454 175	692 434
Proceeds/(repayment of finance lease liability	4	(1 531 230)	(876 115)
Proceeds/(repayment of other long-term liabilities	5	(68 379)	(246 711)
Net cash from financing activities		(145 434)	(430 392)
Net increase / (decrease) in cash and cash equivalents		(14 568 669)	(23 171 817)
Cash and cash equivalents at the beginning of the year		178 743 268	201 915 085
Cash and cash equivalents at the end of the year	22	164 174 599	178 743 268

NOTES TO THE ANNUAL FINANCIAL STATEMENTS**Note 1: Accounting Policy**

The principal accounting policies applied in the preparation of these financial statements are set out below and are consistent with those applied in the previous year unless stated otherwise.

1.1 Basis of presentation

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

The reporting framework is prescribed by the Accounting Standards Board (ASB) in Directive 5 of March 2009 and is summarised below.

The effective standards, in accordance with Directive 5 of the Accounting Standards Board, are summarised as follows:

Reference	Topic
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IAS 12 (AC 102)	Income Taxes
SIC – 21 (AC 421)	Income Taxes – Recovery of Revalued Non-Depreciable Assets
SIC – 25 (AC 425)	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
SIC – 29 (AC 429)	Service Concession Arrangements – Disclosures

Reference	Topic
IFRIC 4 (AC 437)	Determining whether an Arrangement contains a Lease
IFRIC 12 (AC 445)	Service Concession Arrangements
IFRIC 13 (AC 446)	Customer Loyalty Programmes
IFRIC 15 (AC 448)	Agreements for the Construction of Real Estate
IFRIC 17 (AC 450)	Distributions of Non-cash Assets to Owners
IFRIC 18 (AC 451)	Transfer of Assets from Customers

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

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

Standard	Description	Effective Date
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 8 (Revised)	Interest in Joint Ventures	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

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

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

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

The following list of directives, interpretations and guidelines of the Standards of GRAP forms part of the GRAP reporting framework:

Reference	Topic
Directive 1	Repeal of Existing Transitional Provisions in, and consequential amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 6	Transitional Provisions for Revenue Collected by the South African Revenue Service (SARS)
Directive 7	The Application of Deemed Cost on the Adoption of Standards of GRAP
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue
Guide 1	Guideline on Accounting for Public Private Partnerships

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

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

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

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

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

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

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

1.2 Presentation currency

These annual financial statements are presented in South African Rand and all amounts are rounded to the nearest Rand.

1.3 Offsetting

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

1.4 Going concern assumption

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

1.5 Comparative Information

Budget information in accordance with GRAP 1, has been included in the Statement of Financial Performance and annexures to these financial statements.

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.

1.6 Standards, Amendments To Standards and Interpretations issued but not yet effective

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

GRAP 6 (Revised)	Consolidated and Separate Financial Statements
GRAP 7 (Revised)	Investments in Associate
GRAP 18	Segment Reporting
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

1.7 Foreign currency transactions

The Municipality will not incur a foreign currency liability other than that allowed by the MFMA.

1.8 Housing Development Fund

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998 and which requires that the Municipality maintains a separate housing operating account.

Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4)(d)(ii)(aa), read with, *inter alia*, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Development Fund:

- The Housing Development Fund is cash backed and available funds are invested in accordance with the Municipality's investment policy,
- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC for Housing,
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets,
- Any interest earned on the investments of the fund is disclosed as interest earned in the statement of financial performance,
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund if funds are available and not already committed to approved existing Housing projects.

1.9 Reserves

1.9.1 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 out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a decision by the Accounting Officer.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until it is utilised. The cash may only be invested in accordance with the investment policy of the Municipality,
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment and may not be used for the maintenance of these items,
- All cash proceeds from the sale of assets (including the sale of buildings and land) will be transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets,
- All cash proceeds from developers contributions and payments received in respect of buyout of parking areas will be transferred from the Accumulated Surplus to the CRR via the statement of changes in net assets,
- The CRR is reduced and the accumulated surplus/(deficit) credited with an amount equal to the cost price of the asset purchased when the funds are utilised,
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects. The Integrated Development Plan, the Municipality's ability to raise external finance and the amount of Government grants and subsidies that will be received in future will be taken into account in order to determine the annual contribution to the CRR,
- Annually a contribution equal to the depreciation of that financial year will be contributed from the accumulated surplus to the CRR. The Chief Financial Officer can decide on an increased contribution to the CRR at the closure of the financial records, if sufficient cash surpluses were generated through savings on expenditure or additional income sources during the year,
- The Chief Financial Officer can decide on a lesser contribution amount, but only if the cash income from Interest on Investments and Tariffs did not realise as budgeted for.

1.10 Financial Instruments

The Municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

1.10.1 Financial Assets

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The Municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Receivables
- Receivables from Exchange Transactions
- Other Receivables from Non-Exchange Transactions
- Current portion of Long-term Receivables
- Cash and Cash Equivalents

1.10.2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and Other Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities

1.10.3 Measurement

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.

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.

1.10.4 Impairment of Financial Assets

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

Consumer Debtors are stated at cost less a provision for impairment. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

1.10.5 Derecognition of Financial Instruments

1.10.5.1 Financial Assets

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

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

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

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

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

1.10.5.2 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 derecognition 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.

1.10.6 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.

1.11 Leases

1.11.1 The Municipality as Lessee

Amounts held under finance leases are initially recognised as assets of the Municipality at the lower of their fair value at the inception of the lease or the present value of the future minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they may be capitalised in accordance with the Municipality's policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality will not incur a foreign currency lease liability other than that allowed by the MFMA.

1.11.2 The Municipality as Lessor

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

1.13 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The municipality has discounted provisions to their present value when the effect of the time value of money is material. The notional interest charge representing the unwinding of the provision discounting is included in the Statement of Financial Performance.

Provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

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.

1.14 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 municipality.

Contingent liabilities are disclosed in the notes to the annual financial statements, unless it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

1.15 Employee Benefits

(a) Pension obligations

The Municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

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

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Post Retirement Medical obligations

The Municipality provides post-retirement healthcare benefits to its employees and retired employees of the municipality, and to their registered dependants. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries.

(c) 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 bi-annually and the corresponding liability is raised. Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is 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 Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(d) 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 offset 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.

1.16 Payables from Exchange Transactions

Payables from exchange transactions are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method.

1.17 Accrued Leave pay

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

1.18 Accrued Annual and Performance bonuses

Liabilities for annual and performance bonuses are recognised as they accrue to employees.

Annual bonuses accrue to employees on an annual basis, based on the employee contract. Performance bonuses accrue to senior managers on an annual basis, subject to certain conditions. These accruals are an estimate of the amount due to staff as at the financial year end.

1.19 Unspent Conditional Grants and Receipts

Unspent conditional grants and receipts are reflected on the Statement of Financial Position as a current liability - Unspent conditional grants and receipts. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash.

The following provisions are set for the creation and utilisation of this liability:

- The cash which backs up the liability is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unspent conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unspent Conditional Grant into the statement of financial performance as revenue.

1.20 Value Added Tax

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount 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.

1.21 Property, Plant and Equipment

1.21.1 Initial Recognition

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

The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

All donated property, plant and equipment is recognised at its fair value.

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, its 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.

1.21.2 Subsequent Measurement – Cost Model

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

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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.

1.21.3 Depreciation and Impairment

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

	Years		Years
Infrastructure		Other	
Roads	3-113	Buildings	25-30
Stormwater	24-96	Specialist vehicles	5-10
Electricity	5-73	Other vehicles	5
Water	7-120	Office equipment	3-7
Sewerage	6-138	Furniture and fittings	7-10
		Computer equipment	3-10
		Bins and containers	5
		Emergency equipment	5-10
Community		Specialised plant and Equipment	10-15
Improvements	30	Other plant and Equipment	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

1.21.4 Derecognition

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.

1.22 Investment Property

1.22.1 Initial Recognition

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

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

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.

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

1.22.2 Subsequent Measurement – Fair Value

Subsequent to initial recognition investment properties are measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

1.22.3 Derecognition

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.

1.23 Intangible Assets

1.23.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences and development costs.

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

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

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

Intangible assets are initially recognised at cost.

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

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

1.23.2 Subsequent Measurement – Cost Model

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

1.23.3 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. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	2-5

1.23.4 Derecognition

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.

1.24 Non-Current Assets held for sale

1.24.1 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.

Council 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.

1.24.2 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.

1.25 Impairment of Assets

1.25.1 Cash-generating assets

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

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

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

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

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

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.26 Inventories

1.26.1 Initial Recognition

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

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

1.26.2 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 from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility. 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.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

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

1.27 Trade and other Receivables

Trade receivables are recognised initially at originating cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable is uncollectible, it is written off in terms of the municipality's Credit Control and Debt Collection Policy. Subsequent recoveries of amounts previously written off are credited against to the Statement of Financial Performance.

1.28 Cash and Cash Equivalents

Cash includes cash on hand, call deposits 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 and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand, call deposits and net of bank overdrafts.

1.29 Revenue Recognition

1.29.1 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Service charges relating to **electricity and water** are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced.

Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

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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.

Service charges from **sewerage and sanitation** for residential and business properties are levied annually based on a fixed tariff.

Rentals are 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.

Interest earned on investments is recognised in the Statement of Financial Performance on the effective interest rate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

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

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

The income for **agency services** recognised is commission in terms of the agency agreement.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportionate basis.

1.29.2 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

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

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.

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.

Grants, Transfers and Donations

Revenue received from **conditional grants, donations and funding** are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised, to the extent that the criteria, conditions or obligations have not been met.

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

1.30 Grants and Subsidies paid

The municipality transfers money to individuals and organisations from time to time, based on merit. When making these transfers, the municipality does not:

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

These transfers are recognised in the statement of financial performance as expenses in the period that the events give rise to the transfer occurred.

1.31 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, added to the costs of these assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets may be deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

1.32 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

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, Executive 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.

1.33 Unauthorised Expenditure

Unauthorised expenditure is any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (MFMA).

Unauthorised expenditure includes:

- Overspending of the total amount appropriated in the municipality's approved budget,
- Overspending of the total amount appropriated for a vote in the approved budget,
- Expenditure from a vote unrelated to the department or functional area covered by the vote,
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose,
- Spending of an allocation received from another sphere of Government, municipality, or organ of state otherwise than in accordance with any conditions of the allocation,
- A grant by the municipality otherwise than in accordance with the MFMA.

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.34 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act No.56 of 2003, the Municipal Systems Act, Act No.32 of 2000, the Public Office Bearers Act, Act No. 20 of 1998 or is in contravention of the Municipality's supply chain management policy and which has not been condoned in terms of such act or policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.35 Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.36 Interest in Joint Venture

A joint venture is a binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

Joint ventures take many different forms and structures. There are three broad types that meet the definition of a joint venture, namely:

- Jointly controlled operations
- Jointly controlled assets
- Jointly controlled entities

Jointly controlled assets

A jointly controlled asset involves joint control and often the joint ownership by the venturers of assets contributed to or acquired for the purpose of the joint venture and dedicated to the purpose of the joint venture, without the establishment of a corporation, partnership or other entity.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

1.37 Events after reporting date

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

1.38 Changes in accounting policy, estimates and errors

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

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

Prior period errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect or the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Detail of prior period errors are disclosed in the notes to the annual financial statements.

1.39 Significant accounting judgements and estimates

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

Post retirement medical obligations, Long service awards and Ex gratia gratuities

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

Impairment of Receivables

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

Property, plant and equipment

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

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Intangible assets

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

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

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

Provisions and contingent liabilities

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

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions above 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.

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Notes 2 – 53: Other Notes to Annual Financial Statements

2. HOUSING DEVELOPMENT FUND

	2011 R	2010 R
Balance at beginning of the year	8 482 344	9 854 239
Income	187 048	238 122
Land Sales	51 540	27 251
Housing Letting/Selling Scheme Loans	-	-
Interest on investments	135 508	210 870
Housing Debtors	-	-
Less: Expenditure	1 523 037	1 610 017
Funding Capital Projects	-	-
Funding Operating Projects	1 523 037	1 610 017
Total Housing Development Fund assets and liabilities	7 146 355	8 482 344

3. RESERVES

Capital Replacement Reserve	24 798 579	74 208 578
Total Reserves	24 798 579	74 208 578

The Capital Replacement Reserve is fully funded and invested in ring-fenced financial instruments.

4. FINANCE LEASE LIABILITY

Computers (Rentworks Africa)	560,609	1,296,673
Vehicles (Fleet Africa)	663,081	1,422,217
Office equipment (Nashua)	291 369	327 399
Sub-total	1,515,059	3,046,290
Less: Current portion transferred to current liabilities	993 344	1 523 799
Computers (Rentworks Africa)	81 024	730 878
Vehicles (Fleet Africa)	447 372	707 422
Office equipment (Nashua)	464 947	85 500
Total Finance lease liability	521 716	1 522 491

Finance lease liability:

Finance lease liabilities relate to vehicles and office equipment with lease terms not more than five years. Finance leases bear interest at rates between 11 and 15 percent. Finance lease liabilities are secured over the items of vehicles and office equipment leased.

Obligations under Finance leases:

Finance lease liabilities - Minimum capital lease payments:

No later than 1 year	993 344	1 523 799
Later than 1 year and no later than 5 years	590 557	1 487 666
Later than 5 years	-	-
	1 583 900	3 011 465
Future finance charges on finance leases	(68 841)	34 825
	1 515 059	3 046 290

The present value of finance lease liabilities is as follows:

No later than 1 year	993 344	730 878
Later than 1 year and no later than 5 years	521 716	2 315 412
Later than 5 years	-	-
	1 515 059	3 046 290

5. OTHER LONG-TERM LIABILITIES

Local registered stock loans	594,685	604,044
Annuity loans	67,440	126,460
Sub-total	662 125	730 504
Less: Current portion transferred to current liabilities	166 718	157 196
Local registered stock loans	99 277	80 157
Annuity loans	67 440	77 039
Total Other Long-term Liabilities	495 407	573 308

Local registered stock loans:

Local registered stock loans bear interest at rates between 12 and 15 percent per annum and are repayable between one and seven years.

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Annuity loans:

Annuity loans bear interest at NIL percent. One of these loans was fully redeemed in the 2009/10 financial year and the other will be redeemed in the 2012/13 financial year.

6. NON-CURRENT PROVISIONS

	2011 R	2010 R
Rehabilitation of Landfill sites	4 592 660	1 153 584
Clearing of Alien Vegetation	1 378 832	2 757 663
	<u>5 971 492</u>	<u>3 911 247</u>
Less: Transfer to Current Provisions	1 406 000	2 253 584
Rehabilitation of Landfill sites	716 000	553 584
Clearing of Alien Vegetation	690 000	1 700 000
Total Non-Current Provisions	4 565 492	1 657 663
Rehabilitation of Landfill sites	3 876 660	600 000
Clearing of Alien Vegetation	688 832	1 057 663

The movement in non-current provisions are reconciled as follows:

	<u>Alien Vegetation</u>	<u>Rehabilitation of Landfill Sites</u>
30 June 2011		
Balance at beginning of year	1 057 663	600 000
Contribution to provisions	-	3 439 076
Reduction in carrying amount of provision	(159 390)	-
Reversal of unused amounts from current	480 559	553 584
Transfer to current provision	(690 000)	(716 000)
Balance at end of year	<u>688 832</u>	<u>3 876 660</u>
30 June 2010		
Balance at beginning of year	2 235 125	546 000
Contribution to provisions	-	532 584
Reduction in carrying amount of provision	(16 253)	-
Reversal of unused amounts from current	538 791	75 000
Transfer to current provision	(1 700 000)	(553 584)
Balance at end of year	<u>1 057 663</u>	<u>600 000</u>

6.1 REHABILITATION OF LANDFILL SITES

Provision is made in terms of the Municipality's licensing stipulations of the landfill sites for the rehabilitation of these sites. The provision has been determined on the basis of a recent independent study. The payment dates of total closure and rehabilitation are uncertain, but are expected to be between 2014 and 2016.

6.2 CLEARING OF ALIEN VEGETATION

Provision is made in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983) for the clearing of alien vegetation as settlement of the obligations in respect of this Act.

7. EMPLOYEE BENEFITS

Post Employment Health Care Benefits	85 538 740	74 831 908
Ex-Gratia Gratuities	1 515 265	924 867
Long Service Awards	6 990 489	6 463 589
	<u>94 044 494</u>	<u>82 220 364</u>
Less: Transfer to Current liability	3 205 936	3 334 688
Post Employment Health Care Benefits	2 224 721	2 316 852
Ex-Gratia Gratuities	165 344	110 661
Long Service Awards	815 871	907 175
Total Non-Current liability	90 838 558	78 885 677
Post Employment Health Care Benefits	83 314 019	72 515 056
Ex-Gratia Gratuities	1 349 921	814 207
Long Service Awards	6 174 618	5 556 414

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The movement in Employee benefits are reconciled as follows:

	<u>Post Empl Health care Benefits</u>	<u>Ex-Gratia Gratuities</u>	<u>Long Service Awards</u>
30 June 2011			
Balance at beginning of year	74 831 909	924 867	6 463 589
Contribution to provisions			
Interest Cost	6 724 378	72 919	534 912
Service cost & transitional liability	3 589 550	-	871 207
Benefit payments (Expenditure incurred)	(2 642 744)	(140 216)	(900 995)
Actuarial loss / (gain)	3 035 647	657 696	21 776
Transfer to current provision	(2 224 721)	(165 344)	(815 871)
Balance at end of year	83 314 019	1 349 921	6 174 618
30 June 2010			
Balance at beginning of year	62 153 859	899 085	5 969 984
Contribution to provisions			
Interest Cost	5 588 328	75 534	509 949
Service cost & transitional liability	4 042 131		784 081
Benefit payments (Expenditure incurred)	(2 233 539)	(108 749)	(716 566)
Actuarial loss / (gain)	5 281 129	58 998	(83 859)
Transfer to current provision	(2 316 852)	(110 661)	(907 175)
Balance at end of year	72 515 056	814 207	5 556 414

DEFINED BENEFIT PLAN INFORMATION

7.1 POST EMPLOYMENT HEALTH CARE BENEFITS

7.1.1 Introduction and Statistics used:

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The Projected Unit Credit Method has been used to value the liabilities. The liability for in-service members is accrued over their expected working lifetimes. The expected remaining working-lifetime of eligible employees is 18.3 years.

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

	2011	2010
- In-service members	425	461
- In-service non-members (Unknown for 2009/10 year)	312	-
- Continuation members	100	97
Total	837	558

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

	2011	2010
	R	R
- In-service members	43 222 328	38 942 555
- Continuation members	42 316 411	35 889 353
	85 538 739	74,831,908

Summary of In-service members:

	2011	2010
Number of Principal members	425	461
Number of Eligible non-members (Unknown for 2009/10 year)	312	-
Proportion Male	77%	72%
Average age of members	41.8	42.2
Average past service	9.6	10.0
Average retirement subsidy in today's terms	R 1,272	R 1,217

Summary of Continuation members:

	2011	2010
Number of Principal members	100	97
Proportion Male	55%	56%
Average age of members	64.7	65.4
Average Employer Contribution p.m.	R 2,150	R 1,985

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

- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed.

7.1.2 Results of Valuation:

1) Accrued Liability

	2011 R'000	2010 R'000
In-service members	41.208	38.943
In-service non-members	2.015	0.000
Continuation members	42.316	35.889
All members		
Total Value of liabilities	85.539	74.832
Value of assets	0.000	0.000
Unfunded Accrued Liability	85.539	74.832

The total liability has increased by 14% or R10.707 million since the last valuation.

The main reasons for this movement are:

The average eligible in-service employee liability has decreased by 30% over the year due to:

- The previous valuation made no allowance for eligible in-service non-members.
- A decrease in the average age which means employees are further from retirement and more likely to leave before retirement.
- A decrease in the average past service.

The above factors have been partially offset by a decrease in the net discount rate and an increase in the average retirement subsidy.

The total in-service employee liability has increased by 11% due to the above factors being more than offset by an increase in the total number of eligible in-service employees valued.

The average continuation member liability has increased by 14% due to decreases in the net discount rate and average age of continuation members and an increase in the average employer contribution.

The total continuation member liability has increased by 18% due to the above factors and because the number of continuation members has increased.

2) Current-Service and Interest Costs

Current-service Cost (In-service members)	3 589 600	4 042 131
Interest Cost (All members)	6 724 400	5 588 328
Total Cost	10 314 000	9 630 459

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	3 035 647	5 281 129
Contribution to Actuarial (Gain)/Loss:		
Basis changes : Decrease in net discount rate	5 362 019	(6 799 136)
Inclusion of in-service non-members	2 014 738	-
Benefits paid higher than expected	325 892	337 839
Contribution increases higher than assumed	3 149 915	4 679 441
Continuation member's genders different from assumed	-	2 068 907
Changes to Membership profile different from assumed	(7 816 917)	4 994 078
	3 035 647	5 281 129

The genders of the continuation members were unknown in the previous valuation. In this valuation, actual genders were available. Using actual genders accounted for a large amount of the actuarial loss.

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4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2011	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Opening Accrued Liability	62 153 859	74 831 908	85 538 739	94 583 240
Current-service Cost	4 042 131	3 589 550	4 283 229	4 656 351
Interest Cost	5 588 328	6 724 378	7 341 440	8 121 332
Contributions (Benefit payments)	(2 233 539)	(2 642 744)	(2 580 168)	(2 767 662)
Total Annual Expense	7 396 920	7 671 184	9 044 501	10 010 021
Actuarial Loss / (Gain)	5 281 129	3 035 647		
Closing Accrued Liability	74 831 908	85 538 739	94 583 240	104 593 261

7.1.3 Key actuarial assumptions used:

1) Key financial assumptions

i) Rate of interest

	2011	2010
Discount Rate	8.71%	9.12%
Health Care Cost Inflation Rate	7.27%	7.22%
Net Effective Discount Rate	1.35%	1.78%

2) Key demographic assumptions

i) Mortality rates

The PA 90-1 ultimate Mortality table was used by the actuaries for post-retirement and the SA 85-90 Mortality table was used for current employment.

ii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
> 55	0%	0%

iv) Other assumptions

It is assumed that 95% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

It is also assumed that 95% of those in-service members who remain on the health care arrangements will be married at retirement. Further, it was assumed that in-service husbands will be four years older than their wives.

It is assumed that 10% of in-service non-members will join the scheme by retirement.

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

	2011 R	2010 R
Present value of fund obligations	85 538 739	74 831 908
Fair value of plan assets	-	-
Unfunded Accrued Liability	85 538 739	74 831 908
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	85 538 739	74 831 908

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

Current service cost	3 589 550	4 042 131
Interest cost	6 724 378	5 588 328
Actuarial losses/ (gains)	3 035 647	5 281 129
Vested past service cost		
Total included in employee related costs (Note 29) and Actuarial losses	13 349 575	14 911 588

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7.1.6 History of Liabilities, Assets and Experience Adjustments

i) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2008	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011
	R'000	R'000	R'000	R'000
Present value of accrued liability	62.958	62.154	74.832	85.539
Fair Value of plan asset	0.000	0.000	0.000	0.000
Surplus / (deficit)	(62.958)	(62.154)	(74.832)	(85.539)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments for the current period is as follows:

	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011
	R'000	R'000	R'000
Plan liabilities (Gain) / Loss	(3.188)	12.080	(4.667)
Plan assets	-	-	-

7.1.7 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		85.539	
Health Care inflation	+1%	100.028	17%
Health Care inflation	-1%	73.803	-14%
Post-retirement mortality	-1 yrs	88.327	3%
Average retirement age	-1 yrs	89.125	4%
Withdrawal rate	-50%	90.165	5%

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2011:

Assumptions	Change	Total	% Change
Central assumptions		10 314 000	
Health Care inflation	+1%	12 265 800	19%
Health Care inflation	-1%	8 755 800	-15%
Post-retirement mortality	-1 yrs	10 627 100	3%
Average retirement age	-1 yrs	10 884 100	6%
Withdrawal rate	-50%	11 162 900	8%

7.2 EX-GRATIA GRATUITIES

7.2.1 Introduction and Statistics used:

The Ex-Gratia Gratuities to Pensioner Benefit Plan is a defined benefit plan. As at 30 June 2011, 12 pensioners (13 pensioners as at 30 June 2010) were eligible for payments in terms of this plan.

The Municipality provides pension benefits to all employees that are not members of the Pension - or Provident Funds, that have completed at least 10 years of service at the Council and have reached the age of 60. The benefit is calculated according to the average annual salary earned during the last year of service multiplied by number of years of service, divided by 60.

All pensioners receive annually increasing monthly pension amounts until death. Increases are in line with those of the Cape Joint Pension Fund, namely targeting 50% of CPI inflation. There is a 60% contingent pension payable to a spouse upon the pensioner's death.

The contribution rate payable is as follows:

For continuation members, the member contribution is 70% and the Council contribution is 30%. For current employees the contribution rate is 60/40.

Statistics on eligible retirees:

	2011	2010
Number of Pensioners	12	13
Average annual pension (Rand)	13,779	8,512
Pension-weighted average age	71.9	75.0

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7.2.2 Results of Valuation:

1) Accrued Liability

	2011 R	2010 R
Total Value of liabilities	1 515 265	924 867
Value of assets	-	-
Unfunded Accrued Liability	1 515 265	924 867

The average liability has increased by 77%. The increase is mainly due to the decrease in the post-retirement interest rate and average age, and the increase in the average annual pension. The total liability has increased by 64% or R590 399 due to the above effects being partially offset by a decrease in the number of ex-gratia pensioners.

2) Current-Service and Interest Costs

Total Interest Costs	72 919	75 534
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Actuaries are of opinion that there is no Current-service Cost as there are no in-service members eligible for ex-gratia pension benefits.

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	657 696	58 998
Contribution to Actuarial (Gain)/Loss:		
Basis changes	44 489	15 323
Benefits paid higher / (lower) than expected	29 555	(397)
Pension increases higher than assumed	17 670	-
Changes to Membership profile different from assumed	565 982	44 072
	657 696	58 998

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Opening Accrued Liability	899 085	924 867	1 515 265	1 459 378
Current-service Cost	-	-	-	-
Interest Cost	75 534	72 919	109 456	105 026
Benefit payments	(108 749)	(140 216)	(165 344)	(169 741)
Total Annual Expense	(33 215)	(67 297)	(55 888)	(64 715)
Actuarial Loss / (Gain)	58 998	657 696	-	-
Closing Accrued Liability	924 868	1 515 266	1 459 377	1 394 663

7.2.3 Key actuarial assumptions used:

1) Key financial assumptions

i) Rate of interest

Discount Rate	7.63%	7.92%
Pension increase rate	2.66%	2.52%
Post retirement discount rate	4.84%	5.27%

2) Key demographic assumptions

i) Mortality rates

The PA(90)-1 mortality table was used by the actuaries.

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

	2011 R	2010 R
Present value of fund obligations	1 515 265	924 867
Fair value of plan assets	-	-
Unfunded Accrued Liability	1 515 265	924 867
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	1 515 265	924 867

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

Current service cost	-	-
Interest cost	72 919	75 534
Actuarial losses/ (gains)	657 696	58 998
Vested past service cost	-	-
Total included in employee related costs (Note 29) and Actuarial losses	730 615	134 532

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7.2.6 History of Liabilities, Assets and Experience Adjustments:

1) Present value of accrued liability and Fair value of plan assets

	Year ending 30/06/2008	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011
Present value of accrued liability	1 003 461	899 085	924 867	1 515 265
Fair Value of plan asset	-	-	-	-
Surplus / (deficit)	(1 003 461)	(899 085)	(924 867)	(1 515 265)

2) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011
Plan liabilities (Gain) / Loss	11 793	43 673	583 653
Plan assets	-	-	-

7.2.7 Sensitivity analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability	% Change
Central assumptions		1 515 265	
Pension Increase rate	+1%	1 632 355	8%
Pension Increase rate	-1%	1 410 937	-7%
Post-retirement mortality	-1 yr	1 565 076	3%

Sensitivity Analysis on the Interest Costs for the year ending 30 June 2011:

Assumptions	Change	Interest cost	% Change
Central assumptions		109 456	
Pension Increase rate	+1%	118 393	8%
Pension Increase rate	-1%	101 494	-7%
Post-retirement mortality	-1 yr	113 258	3%

7.3 LONG SERVICE AWARDS

7.3.1 Introduction and Statistics used:

The Long Service Awards plan is a defined benefit plan. As at 30 June 2011, 817 employees (837 employees as at 30 June 2010) were eligible for Long Service Awards. The expected remaining working-lifetime of eligible employees is 18.2 years.

The Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

The following table describes the benefits awarded:

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x annual salary
15	6.0%	15 / 250 x annual salary
20	8.0%	20 / 250 x annual salary
25	10.0%	25 / 250 x annual salary
30	20.3%	(30 / 250 +1/12) x annual salary
35	22.3%	(35 / 250 +1/12) x annual salary
40	24.3%	(40 / 250 +1/12) x annual salary
45	26.3%	(45 / 250 +1/12) x annual salary

Working days awarded are valued at 1/250th of annual salary per day. In the month that each "completed service" milestone is reached, the employee is granted a LSA.

The valuation makes allowance for the minimum benefits mentioned in the South African Local Government Bargaining Council's Collective Agreement on Conditions of Service, which was signed on 4 June 2009 and which sets out minimum benefits for the period 1 June 2009 through 31 December 2012, inclusive.

The Projected Unit Credit Method has been used to value the liabilities.

Statistics on eligible employees:

	2011	2010
Number of eligible employees	817	837
Average annual salary (Rand)	121,129	115,774
Salary-weighted average age	43.6	44.1
Salary-weighted average past service	10.1	9.9

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7.3.2 Results of Valuation:

1) Accrued Liability

	2011 R	2010 R
Total Value of liabilities	6 990 489	6 463 589
Value of assets	-	-
Unfunded Accrued Liability	6 990 489	6 463 589
Average liability per member	8 556	7 722

The average liability has increased by 11%. The increase is partly due to the increases in the average salary and average past-service and decreases in the average age and net discount rate. The total liability has increased by 8% or R526 900 due to the above factors being partially offset by a decrease in the number of eligible employees.

2) Current-Service and Interest Costs

Current-service Cost	871 207	784 081
Interest Cost	534 912	509 949
Total Cost	1 406 119	1 294 030

3) Actuarial gains and losses

Actuarial (Gain)/Loss for the period	21 776	(83 859)
Contribution to Actuarial (Gain)/Loss:		
Basis changes : (Increase)/Decrease in net discount rate	429 283	(178 923)
Change in Long-service award policy	(62 769)	
Benefits paid lower than expected		(11 059)
Salary increases (lower)/higher than assumed	(105 963)	102 754
Actual benefit vestings lower than expected	(6 180)	
Changes to Membership profile different from assumed	(232 595)	3 369
	21 776	(83 859)

4) Past and Future Changes in the Accrued Liability

	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Opening Accrued Liability	5 969 984	6 463 589	6 990 489	7 601 580
Current-service Cost	784 081	871 207	913 759	984 917
Interest Cost	509 949	534 912	513 203	553 884
Benefit payments	(716 566)	(900 995)	(815 871)	(996 650)
Total Annual Expense	577 464	505 124	611 091	542 151
Actuarial Loss / (Gain)	(83 859)	21 776		
Closing Accrued Liability	6 463 589	6 990 489	7 601 580	8 143 731

7.3.3 Key actuarial assumptions used:

1) Key financial assumptions

i) Rate of interest

Discount rate	7.79%	8.89%
Salary Inflation Rate	6.27%	6.30%
Net Effective Discount Rate	1.43%	2.43%

The salaries used in the valuation include an assumed increase in July 2011 of 6.08%. The next salary increase was assumed to take place in July 2012.

2) Key demographic assumptions

i) Mortality rates

The SA 85-90 Mortality table was used by the actuaries for current employment.

ii) Average retirement age

The average retirement age for employees of the municipality is 60 years.

iii) Withdrawal from service

If an in-service member leaves, the employer's liability in respect of that member ceases. A sample of the assumed withdrawal rates is as follows:

Age	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%
55	0%	0%

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

	2011	2010
	R	R
Present value of fund obligations	6 990 489	6 463 589
Fair value of plan assets	-	-
Unfunded Accrued Liability	6 990 489	6 463 589
Unrecognised Transitional Liability	-	-
Unrecognised Past Service Cost	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Miscellaneous Item	-	-
Net liability	6 990 489	6 463 589

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

Current service cost	871 207	784 081
Interest cost	534 912	509 949
Actuarial losses/ (gains)	21 776	(83 859)
Vested past service cost	-	-
Total included in employee related costs (Note 29) and Actuarial losses	1 427 895	1 210 171

7.3.6 History of Liabilities, Assets and Experience Adjustments:

i) Present value of accrued liability and Fair value of plan assets:

	Year ending 30/06/2007	Year ending 30/06/2008	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011
Present value of accrued liability	3 935 469	4 346 643	5 969 984	6 463 589	6 990 489
Fair Value of plan asset	-	-	-	-	-
Surplus / (deficit)	(3 935 469)	(4 346 643)	(5 969 984)	(6 463 589)	(6 990 489)

ii) Experience adjustments

Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred. The experience adjustments is as follows:

	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011
Plan liabilities (Gain) / Loss	1 848 024	95 064	(344 738)
Plan assets	-	-	-

7.3.7 Sensitivity Analysis:

Sensitivity Analysis on the Unfunded Accrued Liability:

Assumptions	Change	Liability (R'000)	% Change
Central assumptions		6.990	
General salary inflation	+1%	7.470	7%
General salary inflation	-1%	6.556	-6%
Average retirement age	-2 yrs	5.983	-14%
Average retirement age	+2 yrs	8.019	15%
Withdrawal rates	-50%	8.407	20%

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2011:

Assumptions	Change	Total	% Change
Central assumptions		1 406 119	
General salary inflation	+1%	1 480 807	5%
General salary inflation	-1%	1 338 370	-5%
Average retirement age	+2 yrs	1 533 626	9%
Average retirement age	-2 yrs	1 270 521	-10%
Withdrawal rates	-50%	1 675 586	19%

7.4 INFORMATION ABOUT THE MUNICIPALITY'S OTHER RETIREMENT FUNDS

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

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

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

- The same rate of contributions applies to all participating employers, and no regard is paid to differences in the membership distribution of the participating employers.

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

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CAPE JOINT PENSION FUND

The Cape Joint Pension Fund is a multi-employer plan and the contribution rate payable is 9%, by the members and 18% by Council. The last valuation performed for the year ended 30 June 2010 (30 June 2009) revealed that the fund had an actuarial surplus of RNIL (RNIL) with a funding level of 100% (100%), and is in a sound financial state as at 30 June 2010. The valuation also revealed that the fund had a solvency reserve of R4,9 million as at 30 June 2010.

CAPE RETIREMENT FUND

The contribution rate paid by the members (9,0%) and Council (18,0%) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2010 (30 June 2009) revealed that the fund had an actuarial surplus of R1,275 (R119,95) million with a funding level of 100,3% (131,9%). Certified in a sound financial position as at 30 June 2010.

SALA PENSION FUND

The fund has been certified in a sound financial position as at 1 July 2006 and has improved to a position where it is now 100% funded. It should be noted that the rule amendments giving effect to the changes as at 1 July 2003 in terms of the previous Scheme of Arrangement have been approved. Although these rule amendments were fully backdated, there is a risk that some benefit payments may still be necessary in terms of the precedent set by the Adjudicator's ruling that a member was underpaid in a specific instance. Provision for this eventuality has been made in the financial account of the Fund. The Council is contributing an additional 2,71% to the fund as from 1 July 2005 effective from July 2003.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future. The financial statements of the fund have not been audited since June 2006 and the financial position of the fund is not available.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 5% by the members and not less than 12% by Council. The last valuation performed for the year ended 30 June 2005, certified that the fund is in a sound financial state.

8. NON-CURRENT DEPOSITS

Santos Pavilion Repair Fund

	2011 R	2010 R
Balance at beginning of year	212 257	202 289
Contributions during the year	-	-
Interest on Investment	8 052	9 968
Expenditure during the year	-	-
	<u>220 309</u>	<u>212 257</u>

This fund was created after the Pavilion burnt down a number of years ago. An entrepreneur restored the pavilion to its original form in exchange for a 99-year lease at a reasonable rent. It was also a condition that he should make available an amount of R100,000 to Council as an investment. Interest earned may be used by Council for the maintenance of the building, should he fail to do it himself.

9. CONSUMER DEPOSITS

Electricity	6 458 070	5 586 647
Water	5 157 403	4 574 651
Total consumer deposits	<u>11 615 474</u>	<u>10 161 299</u>
Guarantees held in lieu of electricity deposits	<u>10 000</u>	<u>10 000</u>

Guarantees held in lieu of electricity were R10 000 for 2011 (R10 000 for 2010) which is included in the total consumer deposits of R11 615 474 in 2011 (R10 161 299 in 2010). No interest accrues on consumer deposits.

10. PROVISIONS (CURRENT PORTION)

Rehabilitation of Landfill sites	716 000	553 584
Clearing of Alien Vegetation	690 000	1 700 000
Pension Fund Investment Shortfall	4 171 742	4 171 742
Total Provisions	<u>5 577 742</u>	<u>6 425 326</u>

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The movement in current provisions are reconciled as follows:

	2011	2010
	R	R
Rehabilitation of Landfill sites		
Balance at beginning of year	553 584	75 000
Transfer from non-current	716 000	553 584
Contributions to provisions		
Unused amount reversed to non-current	(553 584)	(75 000)
Expenditure incurred		
Balance at end of year	716 000	553 584
Clearing of Alien Vegetation		
Balance at beginning of year	1 700 000	1 865 000
Transfer from non-current	690 000	1 700 000
Contributions to provisions		
Unused amount reversed to non-current provision	(480 559)	(538 791)
Expenditure incurred	(1 219 441)	(1 326 209)
Balance at end of year	690 000	1 700 000
Pension Fund Investment Shortfall		
Balance at beginning of year	4 171 742	-
Transfer from non-current		
Contributions to provisions		4 171 742
Expenditure incurred	-	-
Balance at end of year	4 171 742	4 171 742

Rehabilitation of Landfill sites:

This is the current portion which is due of the non-current provision. (refer note 6)

Clearing of Alien Vegetation:

This is the current portion which is due of the non-current provision. (refer note 6)

Pension Fund Investment Shortfall:

Local authorities associated with the Cape Joint Pension Fund are under an obligation to contribute pro rata to the Fund such a sum as will make up for any shortage between actual earnings and an investment return of 5,5% on all its assets. The Fund's actuary has calculated a shortfall in the investments returns in respect of defined benefits component. Mossel Bay Municipality is liable for a pro rata payment to the Fund in the sum of R 4 171 742.

11. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade payables	40 236 771	40 400 524
Payments received in advance	11 040 668	6 008 379
Accrued Expenditure	3 704 548	3 339 316
Performance Bonus accrual	933 865	947 958
Retentions	19 369 089	10 791 183
Staff leave accrual	10 364 065	8 235 139
Other payables	754 260	194 789
Other deposits	6 320 847	5 971 384
Total Payables from exchange transactions	92 724 113	75 888 671

The fair value of trade and other payables approximates their carrying amounts. Trade and other payables are normally settled on 30 day terms in accordance with the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice/statement. Thereafter interest is charged in accordance with the credit policies of the various individual creditors.

Performance Bonus accrual:

Performance bonuses accrue to employees on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due to staff as at the financial year end.

Staff Leave Accrual:

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 the total remuneration package of the employee.

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12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2011	2010
	R	R
11.1 Conditional grants from spheres of government	21 946 082	13 720 354
Provincial Grants (Note 26)	13 106 620	4 343 178
National Grants (Note 26)	8 811 753	9 184 777
Other Government Grants (Note 26)	27 710	192 400
11.2 Other conditional receipts	2 041 037	33 164
District Municipality	(0)	-
Developers contributions	-	-
Public contributions (Note 28)	2 041 037	33 164
Total unspent conditional grants and receipts	23 987 119	13 753 518

These amounts are invested in a ring-fenced investments until utilised in terms of section 12 of the MFMA.

Refer to Note 26 for reconciliation of Grants & Subsidies and Note 28 for reconciliation of Public Contributions. Also refer to Appendix F for detail per Vote, per Project and Per Grant/contribution.

13. VAT Payable / Receivable

Opening Balance	2 314 520	2 326 786
VAT Payable (output)	(65 467 548)	(41 409 019)
VAT Receivable (Input)	74 327 598	44 674 362
Paid to SARS	(14 140 935)	(3 277 610)
Total VAT Payable / (Receivable)	(2 966 366)	2 314 520

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over SARS.

14. PROPERTY, PLANT & EQUIPMENT

	Cost	Accumulated Depreciation	Carrying Value
	R	R	R
As at 30 June 2010			
Land	301 200 782	-	301 200 782
Buildings	127 866 290	33 603 248	94 263 041
Infrastructure	663 966 338	167 265 546	496 700 792
Community	75 138 254	17 752 793	57 385 462
Other	59 160 275	28 257 202	30 903 073
Total	1227 331 938	246 878 789	980 453 150
As at 30 June 2011			
Land	303 277 077	-	303 277 077
Buildings	126 891 907	37 889 133	89 002 774
Infrastructure	880 882 817	189 718 237	691 164 579
Community	79 755 066	18 816 353	60 938 713
Other	65 165 236	28 373 916	36 791 320
Total	1455 972 102	274 797 639	1181 174 463

Refer to Appendix B for detail per department.

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ANALYSIS OF PPE AS AT 30 JUNE 2011												
	Cost/revaluation					Accumulated depreciation						Carrying value
	Opening balance	Under construction	Additions	Disposals	Closing balance	Opening balance	Additions	Impairment losses	Disposals	Change in Useful lives	Closing balance	
Land & Buildings												
Land	301 200 782	2 034 272	77 023	35 000	303 277 077	-	-	-	-	-	-	303 277 077
Buildings	125 832 018	559 810	500 079	-	126 891 907	33 603 248	4 381 680	-	-	(95 795)	37 889 133	89 002 774
	427 032 800	2 594 082	577 102	35 000	430 168 984	33 603 248	4 381 680	-	-	(95 795)	37 889 133	392 279 851
Infrastructure												
Drains	-	10 847 310	-	-	10 847 310	-	1 625 569	-	-	(35 539)	1 590 030	9 257 280
Roads	172 879 777	13 920 331	4 862 238	-	191 662 346	46 856 100	5 662 161	-	457	(123 700)	52 394 103	139 268 243
Beach improvements	-	19 316	-	-	19 316	-	-	-	-	-	-	19 316
Sewerage mains & Purif	93 821 644	16 865 341	7 172 181	48 455	117 810 711	34 751 320	3 851 079	-	1 659	(84 195)	38 516 545	79 294 166
Electricity mains	127 027 790	3 321 814	5 694 102	-	136 043 706	40 170 133	4 147 348	-	-	(90 672)	44 226 809	91 816 898
Electricity peak load equipm	9 981 197	14 935 185	9 195 393	-	34 111 775	164 082	836 146	-	-	(18 280)	981 947	33 129 827
Water mains & purification	65 182 668	216 972 250	2 950 625	-	285 105 544	8 406 787	3 027 830	-	-	(66 197)	11 368 420	273 737 123
Reservoirs - water	45 786 757	13 235	-	-	45 799 992	15 088 666	1 017 237	-	-	(22 240)	16 083 664	29 716 328
Water meters	-	97 117	-	-	97 117	-	38	-	-	(1)	37	97 080
Water mains	44 444 479	14 956 587	-	16 066	59 385 000	21 828 458	2 798 783	-	9 370	(61 189)	24 556 682	34 828 318
	559 124 312	291 948 486	29 874 539	64 521	880 882 817	167 265 546	22 966 191	-	11 486	(502 014)	189 718 237	691 164 579
Community assets												
Parks & gardens	7 428 695	-	277 493	-	7 706 188	1 001 365	277 493	-	-	(6 067)	1 272 791	6 433 397
Libraries	3 273 141	-	386 921	2 299	3 657 763	922 889	109 428	-	2 299	(2 392)	1 027 626	2 630 137
Recreation grounds	12 312 618	18 044	1 089 683	-	13 420 345	3 521 806	702 762	-	-	(15 364)	4 209 204	9 211 141
Civic buildings	52 123 801	-	2 846 969	-	54 970 770	12 306 733	-	-	-	-	12 306 733	42 664 037
	75 138 255	18 044	4 601 066	2 299	79 755 066	17 752 793	1 089 683	-	2 299	(23 823)	18 816 353	60 938 713
Heritage assets												
Historical buildings	-	-	-	-	-	-	-	-	-	-	-	-
Painting & art galleries	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	1061 295 367	294 560 612	35 052 707	101 820	1390 806 867	218 621 587	28 437 554	-	13 785	(621 633)	246 423 724	1144 383 143

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ANALYSIS OF PPE AS AT 30 JUNE 2011												
	Cost/revaluation					Accumulated depreciation						Carrying value
	Opening balance	Under construction	Additions / Revaluation	Disposals	Closing balance	Opening balance	Additions	Impairment losses	Disposals	Change in Useful lives	Closing balance	
Total brought forward	1061 295 367	294 560 612	35 052 707	101 820	1390 806 867	218 621 587	28 437 554	-	13 785	(621 633)	246 423 724	1144 383 143
Housing rental stock												
Housing rental 1	-	-	-	-	-	-	-	-	-	-	-	-
Housing rental 2	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Leased assets (Infrastructure)												
Leased assets (Infrastructure)	6 057 881	-	85 875	186 521	5 957 235	3 539 181	1 219 785	-	148 784	-	4 610 182	1 347 053
	6 057 881	-	85 875	186 521	5 957 235	3 539 181	1 219 785	-	148 784	-	4 610 182	1 347 053
Other assets												
Landfill sites	-	-	-	-	-	-	-	-	-	-	-	-
Office equipment	31 209 733	-	1 132 322	475 977	31 866 078	14 667 978	366 755	-	386 472	(8 018)	14 640 242	17 225 836
Furniture & fittings	1 550 093	-	2 347 253	1 489 432	2 407 914	718 033	766 450	-	991 679	(16 757)	476 048	1 931 866
Bins & containers	283 400	-	149 226	-	432 626	195 588	-	-	-	-	195 588	237 038
Emergency equipment	465 468	-	-	-	465 468	57 295	-	-	-	-	57 295	408 173
Motor vehicles	14 305 690	-	5 728 750	2 422 595	17 611 845	6 349 785	1 253 284	-	1 899 908	(27 400)	5 675 761	11 936 084
Fire engines	2 455 019	-	-	-	2 455 019	901 116	-	-	-	-	901 116	1 553 903
Refuse tankers	1 308 577	-	1 527 565	192 066	2 644 076	714 813	152 242	-	152 242	(3 328)	711 484	1 932 592
Computer equipment	1 522 434	-	199 203	398 642	1 322 995	1 113 135	329 938	-	329 938	(7 213)	1 105 922	217 073
Council regalia	1 980	-	-	-	1 980	277	-	-	-	-	277	1 703
Conservancy tankers	-	-	-	-	-	-	-	-	-	-	-	-
Watercraft	-	-	-	-	-	-	-	-	-	-	-	-
	53 102 394	-	11 084 319	4 978 712	59 208 001	24 718 021	2 868 669	-	3 760 239	(62 717)	23 763 734	35 444 267
Non PPE												
Investment Properties	413 143 373	-	-	186 373	412 957 001	-	-	-	-	-	-	412 957 001
Intangible Assets	1 170 857	-	-	-	1 170 857	883 595	13 284	-	-	-	896 879	273 978
Agricultural Assets	-	-	-	-	-	-	-	-	-	-	-	-
	414 314 230	-	-	186 373	414 127 858	883 595	13 284	-	-	-	896 879	413 230 978
Total	1534 769 872	294 560 612	46 222 901	5 453 426	1870 099 960	247 762 384	32 539 292	-	3 922 808	(684 349)	275 694 519	1594 405 441

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15. INTANGIBLE ASSETS	2011	2010
	R	R
Carrying values at the beginning of the year	287 262	441 734
Cost	1 170 857	1 170 857
Accumulated amortisation	(883 595)	(729 124)
Acquisitions	-	-
Disposals	-	-
Amortisation	(13 284)	(154 471)
Amortisation written back on disposals	-	-
Carrying values at the end of the year	273 978	287 262
Cost	1 170 857	1 170 857
Accumulated amortisation	(896 879)	(883 595)

Intangible assets are initially recognised at cost and are carried at cost less accumulated amortisation and impairments.

Intangible assets have finite useful lives and the estimated remaining useful lives are reviewed at each reporting period.

The amortisation expense is included in the line item "Amortisation - Intangible Assets" (Note 32) in the Statement of Financial Performance.

The municipality does not have any internally generated intangible assets.

16. INVESTMENT PROPERTY

Carrying values at the beginning of the year	413 143 373	503 157 653
Cost	413 143 373	503 157 653
Acquisitions	-	-
Fair Value adjustment	-	-88,759,280
Disposals	-186,373	-1,255,000
Carrying values at the end of the year	412 957 001	413 143 373
Cost	412 957 001	413 143 373
Amounts included in Surplus/Deficit for the year, are as follows:		
Rental Revenue from Investment Property	685 431	605 636
Fair value adjustment	-	(88 759 280)

At initial recognition, the municipality measures Investment Property at cost and the fair value model is applied to investment property for subsequent measurement. Under the fair value model, Investment Property is carried at its fair value at the reporting date.

The fair value of Investment Property is supported by market evidence.

Revaluations were performed by an independent valuator, Mr WM De Kock, of WM De Kock Associates, who holds a recognised and relevant qualification, during August 2010. No valuation was done during 2011, due to no significant changes in the property market. A certificate to this extent was received from the above-mentioned valuator.

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

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17. LONG-TERM RECEIVABLES	2011	2010
	R	R
Long-term receivables:	3 374 766	3 659 091
Study Loans	149 782	166 197
Land Sales Debtors	29 193	33 158
Public Assistance Loans	327 577	375 243
Housing Selling Scheme Loans	2 868 214	3 084 493
Less: Current portion transferred to current receivables	400 656	409 954
Land Sales Debtors	3 283	1 437
Public Assistance Loans	99 277	80 157
Housing Selling Scheme Loans	298 095	328 360
Less: Provision for Impairment of long-term receivables	1 040 298	1 061 230
Housing Selling Scheme Loans	1 040 298	1 061 230
Total	1 933 812	2 187 907
Reconciliation of Impairment of Long-term receivables		
Balance at beginning of year	1 061 230	2 227 708
Contribution to / (Reversal from) provision	(20 932)	(1 166 478)
Bad Debts written off / recovered	-	-
Balance at end of year	1 040 298	1 061 230

Outstanding Land Sales debtors and Housing selling scheme loans were summarised in scheme numbers. A payment % report was also drawn from the system per suburb, as the report can not be drawn per scheme, and vice versa.

A payment percentage of 64.26 % was established and a provision for impairment was made for 35.74%.

No provision for impairment to be recognised for study and public assistance loans.

Refer to Note 39.1 for detail regarding the restatement of the previous year balance of Study Loans.

Land Sales

Loans were granted to qualified individuals by Council. These loans attract interest at market-related interest rates.

Public assistance loans

To facilitate the development of sporting facilities, loans were made to provide the necessary financial assistance. These attract interest at a rate of 8% to 15% per annum and are repayable over a maximum period of 15 years.

Housing Selling Scheme Loans

Housing loans are granted to qualifying individuals in terms of the National Housing Policy. These loans attract interest at a rate determined by the National Minister of Housing.

18. INVENTORY

Consumable stores - at cost	734 808	448 819
Maintenance materials - at cost	7 739 190	5 586 971
Meters	226 725	266 642
Spare parts	3 446	9 258
Purification Materials	1 149 986	1 068 029
Unsold properties held for resale	4 079 009	4 778 639
Water purification	379 776	189 183
Total inventory	14 312 940	12 347 542

Inventory 2010/11 = R10 233 932 (R7 568 903 in 2009/10). Unsold properties held for sale transferred to inventory in 2010/11 = R4 079 009 (R4 778 639 in 2009/10). Total inventory 2010/11 = R14 312 940

Inventory to the value of RNIL (R19 849 in 2009/10) was written off during this financial year.

Refer to Note 39.3 for detail regarding the restatement of the previous year balance of maintenance materials.

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19. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2011	Gross Balances	Provision for Impairment	Net Balance
Service debtors	50 031 415	12 314 989	37 716 426
Electricity	14 562 293	1 123 455	13 438 837
Water	15 090 059	4 675 371	10 414 688
Refuse	5 100 041	1 218 266	3 881 775
Sewerage	15 279 023	5 297 897	9 981 126
Debtpack Collections	2 469 540	2 455 087	14 453
Land Sales	17 705	13 683	4 022
Housing Instalments	1 184 119	593 363	590 756
Housing rentals	285 755	47 206	238 549
Other	1 642 135	875 355	766 780
Total	55 630 668	16 299 683	39 330 985
As at 30 June 2010			
Service debtors	46 473 027	11 591 005	34 882 022
Electricity	11 502 714	886 556	10 616 158
Water	13 399 291	4 159 281	9 240 010
Refuse	4 953 577	1 285 690	3 667 887
Sewerage	16 617 445	5 259 478	11 357 967
Debtpack Collections	1 730 374	1 728 067	2 308
Land Sales	19 682	16 143	3 539
Housing Instalments	1 232 397	643 456	588 942
Housing rentals	294 290	59 840	234 450
Other	1 144 502	771 480	373 021
Total	50 894 272	14 809 990	36 084 281

Refer to Note 39.2 for detail regarding the restatement of previous year balance.

Electricity, Water, Refuse and Sewerage): Ageing

	2011 R	2010 R
Current (0 -30 days)	23 400 267	19 081 193
31 - 60 Days	1 830 058	2 237 828
61 - 90 Days	1 672 684	1 865 021
91 - 120 Days	1 560 382	1 720 782
121- 365 Days	12 060 619	13 101 064
> 365 Days	9 507 406	8 682 356
Total	50 031 415	46 688 245

Service debtors receivables that are past due as at the end of 2010/11 but not impaired, for less than 30 days is R21 785 386 (2009/10 = R18 365 588) and for more than 30 days is R15 931 040 (2009/10 = R16 731 652).

Debtpack Collections

	2011	2010
Current (0 -30 days)	5	269
31 - 60 Days	8 195	37
61 - 90 Days	6 253	4 037
91 - 120 Days	6 236	1 675
121- 365 Days	1 744 285	1 386 295
> 365 Days	704 566	338 061
Total	2 469 540	1 730 374

Debtpack collection receivables that are past due as at the end of 2010/11 but not impaired, for less than 30 days is R5 (2009/10 = R269) and for more than 30 days is R14 448 (2009/10 = R2 038).

Housing Instalments

	2011	2010
Current (0 -30 days)	23 309	25 081
31 - 60 Days	8 615	9 750
61 - 90 Days	8 247	77 439
91 - 120 Days	8 137	8 044
121- 365 Days	88 818	151 655
> 365 Days	1 046 993	960 428
Total	1 184 119	1 232 397

Housing instalments receivables that are past due as at the end of 2010/11 but not impaired, for less than 30 days is R23 309 (2009/10 = R25 081) and for more than 30 days is R567 447 (2009/10 = R563 861).

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	2011 R	2010 R
Housing rentals: Ageing		
Current (0 -30 days)	7 287	7 110
31 - 60 Days	2 651	2 439
61 - 90 Days	2 416	7 646
91 - 120 Days	2 295	1 768
121- 365 Days	65 152	53 241
> 365 Days	205 955	6 867
Total	285 755	79 071

Housing rentals receivables that are past due as at the end of 2010/11 but not impaired, for less than 30 days is R7 287 (2009/10 = R7 110) and for more than 30 days is R231 262 (2009/10 = R12 121).

	2011 R	2010 R
Other		
Current (0 -30 days)	548 685	351 699
31 - 60 Days	111 229	25 496
61 - 90 Days	106 866	15 409
91 - 120 Days	18 016	94 069
121- 365 Days	261 943	181 427
> 365 Days	595 396	476 402
Total	1 642 135	1 144 502

Other receivables that are past due as at the end of 2010/11 but not impaired, for less than 30 days is R548 685 (2009/10 = R351 699) and for more than 30 days is R218 095 (2009/10 = R21 322).

	2011 R	2010 R
Land Sales		
Current (0 -30 days)	964	1 070
31 - 60 Days	402	381
61 - 90 Days	219	339
91 - 120 Days	175	311
121- 365 Days	1 045	2 492
> 365 Days	14 899	15 089
Total	17 705	19 682

Land sales receivables that are past due as at the end of 2010/11 but not impaired, for less than 30 days is R964 (2009/10 = R1 070) and for more than 30 days is R3 058 (2009/10 = R2 469).

	2011 R	2010 R
Reconciliation of Provision for impairment of receivables		
Balance at beginning of year	14 809 990	16 572 459
Contribution to / (Reversal from) provision	13 725 272	8 175 775
Bad Debts written off / recovered	(12 235 579)	(9 938 243)
Balance at end of year	16 299 683	14 809 990

	2011 R	2010 R
Summary of Receivables by Consumer Classification		
Residential	38 025 454	38 759 728
Industrial / Commercial	12 128 083	7 768 192
National / Provincial government	1 165 050	1 357 324
Payments received in Advance	4 312 081	3 009 027
Total	55 630 668	50 894 272

20. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2011 R	2010 R
Other Receivables from Non-Exchange transactions:	42 213 220	54 767 575
Rates	10 741 070	8 597 880
Accrued Income	4 018 485	4 655 571
Unauthorised expenditure (see Note 46.1)	-	-
Fruitless & wasteful expenditure (see Note 46.2)	-	-
Government subsidies	-	515 615
Other	27 453 665	40 998 508
Recoverable Expenditure	-	-
Less: Provision for impairment of other receivables	15 388 603	11 597 504
Rates	2 870 392	1 790 161
Other : Operating Balance PAWC (Housing Administration)	12 518 211	9 807 343
Total	26 824 618	43 170 071

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Sundry debtors are grouped together in financial assets with similar credit risk characteristics and collectively assessed for impairment. However the "Other Debtors" are individually assessed.

A provision was made for a 100% non-payment of the Operating Balance for Housing costs.

	2011	2010
	R	R
Rates: Ageing		
Current (0 -30 days)	3 818 338	3 382 157
31 - 60 Days	388 114	450 264
61 - 90 Days	355 471	279 929
91 - 120 Days	408 853	262 804
121- 365 Days	3 315 118	2 655 239
> 365 Days	2 455 175	1 567 488
Total	10 741 070	8 597 880

Rates receivables that are past due as at the end of 2010/11 but not impaired, for less than 30 days is R3 496 834 (2009/10 = R3 270 208) and for more than 30 days is R4 373 844 (2009/10 = R3 537 512).

Reconciliation of Provision for impairment of other receivables

Balance at beginning of year	11 597 504	7 479 964
Contribution to / (Reversal from) provision	3 969 938	4 314 893
Bad Debts written off / recovered	(178 840)	(197 353)
Balance at end of year	15 388 603	11 597 504

Summary of Rates by Consumer Classification

Residential	7 371 984	5 936 728
Industrial / Commercial	2 181 711	1 703 474
National / Provincial government	1 006 925	857 099
Payments received in Advance	180 450	100 579
	10 741 070	8 597 880

21. INVESTMENTS

Long-term Deposits : Other bodies	2 283 318	1 238 088
<u>Less:</u> Payment to other bodies	(2 283 318)	(1 238 088)
Short-term Investment deposits	165 000 000	187 000 000
<u>Less:</u> Current portion maturing within next 12 months - refer note 22	(165 000 000)	(187 000 000)
	-	-

Investments are made in accordance with the municipality's Cash Management and Investment policy as follows:

- That the broad investment policy framework be applicable
- Investments not be placed with foreign banks
- That council does not make use of the services of investment brokers
- Council's total investment portfolio be invested with banks rated as follows:
 - short-term investments (0 - 12 months) only institutions with an F2 and higher rating be used
 - long-term investments (more than 12 months) only institutions with A or higher rating be used
- Not more than 50% of the total investments invested with one institution

No investments were written off during the year.

Long-term Deposits: Other bodies (Group Schemes)

These deposits are Group Scheme funds of employees that is paid over to the Municipality, who then invests these funds in the name of the employee in Money market funds. It therefore has no impact on the Municipality's Statement of Financial Position.

22. CASH AND CASH EQUIVALENTS

Assets

Petty Cash	18 660	13 980
Bank balances	-	-
Short-term Investment deposits	165 000 000	187 000 000
Total cash and cash equivalents - Assets	165 018 660	187 013 980

Liabilities

Bank overdraft (as per Cash book balance)	(844 061)	(8 270 712)
Total cash and cash equivalents - Liabilities	(844 061)	(8 270 712)

The municipality has the following bank accounts:

<u>BANK ACCOUNT</u>	<u>Account Numbers</u>		
Primary Bank Account - NEDBANK DEPOSIT ACCOUNT	1626566909	29 697 695	8 269 246
Secondary Bank Account - NEDBANK CHECQUE ACCOUNT	1626566917	-	-
		29 697 695	8 269 246

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	2011 R	2010 R
Bank statement balance at beginning of year	8 269 246	21 508 524
Bank statement balance at end of year	<u>29 697 695</u>	<u>8 269 246</u>
Cash book balance at beginning of year	(8 270 712)	(1 098 895)
Cash book balance at end of year	<u>(844 061)</u>	<u>(8 270 712)</u>
Petty Cash / Float at beginning of year	13 980	13 980
Petty Cash / Float at end of year	<u>18 660</u>	<u>13 980</u>
INVESTMENTS: Current portion matures within next 12 months - Refer Note 21	<u>165 000 000</u>	<u>187 000 000</u>

All accounts are with NEDBANK. The balance of account no. 1626566917 - cheque account, is swept to the main account - Primary bank account no. 1626566909

23. OPERATING LEASES

The Municipality as lessee

Operating leases relate to Buildings with lease terms of between one to five years, with an option to extend for a further period. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following liabilities have been recognised in the Statement of Financial Position:

Balance at beginning of year	110,907	79,185
Movement for the year	(59,916)	31,721
Total Operating Lease Liabilities - as lessee	<u>50 991</u>	<u>110 907</u>

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

Lease payments	<u>1,038,310</u>	<u>921,698</u>
Total Operating Lease payments - as lessee	<u>1 038 310</u>	<u>921 698</u>

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for buildings, which fall due as follows:

Buildings		
Up to 1 year	1,253,584	1 041 080
1 to 5 years	2,042,407	785 448
More than 5 years	-	-
Total Operating Lease arrangements - as lessee	<u>3 295 991</u>	<u>1 826 528</u>

The Municipality as lessor

Operating leases relate to Investment Property owned by the Municipality with lease terms of between one to forty years. The lessee does not have an option to purchase the property at the expiry of the lease period.

In respect of Non-cancellable Operating Leases the following assets have been recognised in the Statement of Financial Position:

Balance at beginning of year	107,717	107,108
Movement for the year	(3,417)	609
Total Operating Lease Assets - as lessor	<u>104 300</u>	<u>107 717</u>

The following receipts have been recognised as an income in the Statement of Financial Performance:

Lease income	<u>685,431</u>	<u>605,636</u>
Total Operating Lease income - as lessor	<u>685 431</u>	<u>605 636</u>

At the reporting date the municipality had lease receipts receivable under non-cancellable operating leases for Investment Property, which fall due as follows:

Investment Property		
Up to 1 year	669,737	597,995
1 to 5 years	1,092,206	1,186,985
More than 5 years	562,122	696,760
Total Operating Lease arrangements - as lessor	<u>2 324 065</u>	<u>2 481 739</u>

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13.

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24. PROPERTY RATES

<u>Actual</u>	2011 R	2010 R
Residential	51 113 555	43 563 183
Commercial	11 935 628	11 016 457
Vleesbaai	305 919	-
Accommodation Establishments	1 557 419	-
State	496 021	1 574 801
Building Clause	11 520	10 282
Assessment Rate: Letting	1 438	1 466
Assessment Rate: State Building Kwa Nonqaba	47 909	72 355
Agricultural	621 935	575 616
Agricultural Business	161 470	-
Less: Income forgone	(1 712 524)	(1 847 557)
Total assessment rates	64 540 291	54 966 604

<u>Valuations</u>	July 2011	July 2010
Residential	24 791 887 982	24 254 300 590
Commercial	2 714 895 000	3 159 622 400
State	385 549 918	378 922 500
Municipal	621 390 100	598 223 000
Building Clause	5 391 940	5 895 800
Accommodation Establishments	492 500 700	-
Accommodation Agricultural	51 592 000	-
Vleesbaai	491 589 600	-
Assessment Rate: Letting	-	-
Assessment Rate: State Building Kwa Nonqaba	21 345 000	17 410 000
Agricultural	1 215 644 100	1 284 231 300
Total property valuations	30 791 786 340	29 698 605 590

The valuation of land takes place every four years in terms of the determinations of the new Ordinance on Property Valuation, 1993. The basic rate for land and buildings ranged between R0,000523 and R0,004530 respectively. Qualifying pensioners received an additional rebate of either 50% or 30% on property tax. With regard to needy families, where the joint income of husband and wife amounted to less than R4 000 a rebate was allowed with regard to water, refuse and sewerage. Regarding the housing schemes, it is noted that income for rates was not based on valuation as the values are less than R50 000. The first R50 000 of residential properties are not levied, R15 000 are impermissible rates and a rebate are given on R35 000.

25. SERVICE CHARGES

Sale of electricity	192 893 765	160 907 455
Sale of water	61 680 538	49 416 982
Refuse removal	31 434 045	27 004 363
Sewerage & sanitation charges	47 495 551	46 046 566
Total service charges	333 503 898	283 375 367

The service charges revenue are in respect of services rendered to consumers and billed in terms of Council's approved tariffs.

26. GOVERNMENT GRANTS AND SUBSIDIES

Equitable share	34 232 731	26 678 425
National Government Grants	127 837 012	44 529 302
Provincial Government Grants	28 389 367	18 347 531
Main Road Subsidy - Provincial	-	-
Other Grants	3 873 540	4 491 546
Total Government Grant & Subsidies	194 332 650	94 046 805

26.1 Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	34 232 731	26 678 425
Adjustments	-	-
Conditions met - transferred to revenue	(34 232 731)	(26 678 425)
Conditions still to be met - transferred to liabilities (see note 12)	-	-

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	2011	2010
	R	R
26.2 National Government Grants		
Balance unspent at beginning of year	9 184 777	7 051 218
Current year receipts	127 529 155	46 662 862
Adjustments	65 167	-
Conditions met - transferred to revenue	(127 837 012)	(44 529 302)
Conditions still to be met - transferred to liabilities (see note 12)	<u>8 811 753</u>	<u>9 184 777</u>
<p>Mossel Bay Municipality received various grants from National Government for operational and capital projects, such as the Desalination Plant and Energy Efficiency and Demand Side Management project. National Grants also include MIG, FMG and MSIG funding. Other than the amounts unspent, the conditions of the grants have been met.</p>		
26.3 Provincial Government Grants		
Balance unspent at beginning of year	4 343 178	6 879 049
Current year receipts	37 455 603	15 811 660
Adjustments	302 793	-
Conditions met - transferred to revenue	(28 389 367)	(18 347 531)
Conditions still to be met - transferred to liabilities (see note 12)	<u>13 106 620</u>	<u>4 343 178</u>
<p>Mossel Bay Municipality received various grants from Provincial Government for operational and capital projects, such as Housing Topstructures, Thusong centre, Library services, Expanded public works programme and the CDW grant. Other than the amounts unspent, the conditions of the grants have been met. The only funds delayed at 30 June 2011 was R147 655 from the Dept of Housing.</p>		
26.4 Main Roads Subsidy		
Balance unspent at beginning of year	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 12)	<u>-</u>	<u>-</u>
26.5 Other Grants		
Balance unspent at beginning of year	192 400	365 676
Current year receipts	3 270 985	4 318 270
Adjustments	(437 865)	-
Conditions met - transferred to revenue	(3 873 540)	(4 491 546)
Conditions still to be met - transferred to liabilities (see note 12)	<u>27 710</u>	<u>192 400</u>
<p>The Municipality received various other grants from PAWC for operational projects, such as funds for Water leakages, Integration rural settlements, Home Owners education and LGSETA funds. Other than the amounts unspent, the conditions of the grants have been met. The only funds delayed at 30 June 2011 was R437 865 from LGSETA.</p>		
27. OTHER INCOME		
Building Plan Fees	2 113 889	2 667 155
Availability Fees (Services)	13 937 560	12 719 498
Land Usage Fees	393 904	429 541
Contributions from External Services	3 905 840	2 842 998
Contributions from Land Sales	2 117	2 157
Insurance Claims	1 101 330	493 472
Collection costs recovered	3 330 435	2 442 167
Other	4 585 750	5 626 467
Total other income	<u>29 370 824</u>	<u>27 223 456</u>
28. PUBLIC CONTRIBUTIONS, DONATED AND CONTRIBUTED PPE		
District Municipality	1 861 936	-
Developers Contributions	-	-
Public Contributions	67 335 130	22 603 501
Donated and Contributed PPE	30 000	1 020 467
Connection Fees	1 663 187	1 755 587
Other	-	-
Total public contributions	<u>70 890 254</u>	<u>25 379 555</u>
28.1 District Municipality		
Balance unspent at beginning of year	-	-
Current year receipts	1 861 936	-
Adjustments	-	-
Conditions met - transferred to revenue	(1 861 936)	-
Conditions still to be met - transferred to liabilities (see note 12)	<u>(0)</u>	<u>-</u>

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	2011 R	2010 R
28.2 Developers Contributions		
Balance unspent at beginning of year	(0)	(0)
Current year receipts	-	-
Adjustments	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities (see note 12)	<u>(0)</u>	<u>(0)</u>
28.3 Public Contributions		
Balance unspent at beginning of year	33 164	65 885
Current year receipts	64 709 861	22 570 780
Adjustments	4 633 142	-
Conditions met - transferred to revenue	<u>(67 335 130)</u>	<u>(22 603 501)</u>
Conditions still to be met - transferred to liabilities (see note 12)	<u>2 041 037</u>	<u>33 164</u>

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable. The above Public Contributions receipts includes an amount of R63 855 343 for PetroSA's portion of the payment to approved contractors, consultants and/or other service providers under cover of appropriate invoices. The only funds delayed at 30 June 2011 was R4 633 142 from PetroSA.

28.4 Donated and Contributed Property, Plant and Equipment		
Balance unspent at beginning of year	-	-
Current year receipts	30 000	1 020 467
Adjustments	-	-
Conditions met - transferred to revenue	<u>(30 000)</u>	<u>(1 020 467)</u>
Conditions still to be met - transferred to liabilities (see note 12)	<u>-</u>	<u>-</u>

The Municipality receives contributions from various private funders for operational and capital projects. Other than the amounts unspent the conditions of the contributions have been met.

29. EMPLOYEE RELATED COSTS

Employee-related costs - Salaries, Wages & Bonuses	97 995 368	91 558 573
Employee-related costs - Contributions for UIF, pensions & medical aids	22 620 643	21 071 981
Contributions to Post Retirement Benefits Provision	10 386 847	13 877 735
Contributions to Long Service Bonus Provision	1 406 119	1 294 030
Contributions to Leave Gratuity Provision	3 166 703	1 869 047
Travel, motor car, accommodation, subsistence & other allowances	9 795 887	9 086 802
Housing benefits & allowances	892 131	1 006 290
Overtime payments	8 382 409	8 176 715
Executive packages	6 772 318	6 946 493
Less: Employee costs capitalised and to other operating maintenance	<u>(878 839)</u>	<u>(929 735)</u>
Total employee-related costs	<u>160 539 586</u>	<u>153 957 930</u>

REMUNERATION OF KEY MANAGEMENT PERSONNEL:

Remuneration of the Municipal Manager

Annual remuneration	943 008	799 438
Performance bonuses	174 481	160 842
Car allowance	132 000	132 000
Contributions to UIF, Medical & Pension Funds	171 239	154 431
Group Insurance	-	-
Industrial Council	49	45
Total	<u>1 420 777</u>	<u>1 246 756</u>

Remuneration of the Chief Financial Officer

Annual remuneration	793 748	656 599
Performance bonuses	153 088	134 400
Car allowance	48 000	64 000
Contributions to UIF, Medical & Pension Funds	160 016	168 732
Group Insurance	6 624	6 624
Industrial Council	49	45
Total	<u>1 161 525</u>	<u>1 030 400</u>

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Remuneration of individual executive 30 June 2011	Technical Services	Electricity Services	Dev planning & Housing	Corporate Services	Community Services
Annual remuneration	53 261	746 723	858 703	583 953	654 254
Performance bonuses	-	143 109	126 504	118 072	132 372
Acting allowance	-	-	-	-	-
Car allowance	9 493	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Func	13 464	159 068	44 847	133 923	113 553
Group Insurance	1 219	6 624	-	5 447	6 624
Industrial Council	4	49	49	49	49
Total	77 440	1 157 573	1 030 104	961 444	1 014 852

Remuneration of individual executive 30 June 2010	Technical Services	Electricity Services	Dev planning & Housing	Corporate Services	Community Services
Annual remuneration	562 358	600 568	789 402	527 484	584 363
Performance bonuses	119 928	119 928	116 615	108 842	122 023
Acting allowance	-	-	-	-	-
Car allowance	106 792	102 000	-	120 000	108 000
Contributions to UIF, Medical & Pension Func	146 865	141 851	43 513	124 468	102 440
Group Insurance	14 175	6 624	-	5 447	6 624
Industrial Council	45	45	45	45	45
Total	950 164	971 016	949 575	886 286	923 495

30. REMUNERATION OF COUNCILLORS

	2011 R	2010 R
Executive Mayor	541 677	517 814
Executive Deputy Mayor	437 374	417 670
Speaker	428 275	402 644
Mayoral Committee members	1 319 662	1 177 903
Councillors	3 038 049	2 801 537
Councillors' pension contributions	419 862	406 566
Councillors' medical contributions	48 960	44 496
Travel Cost in Excess of 500km	1 049	12 499
Total Councillors' remuneration	6 234 907	5 781 129

In kind benefits

The Executive Mayor, Executive Deputy Mayor, Speaker and Mayoral Committee members are employed on a full-time basis. Each is provided with an office and administrative secretarial support at Councils cost. The Executive and Deputy Mayor have access to Council-owned vehicles for ceremonial and official functions. Full-time Councillors are equipped with computers in their offices or at their homes. Ward Committee members are equipped with cellphones for communication purposes.

Certification by Municipal Manager

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.

Municipal Manager 

31. IMPAIRMENT COSTS

Contribution to Provision for Impairment:	17 716 874	12 513 624
- Rates	1 259 071	794 042
- Electricity	444 707	464 259
- Water	4 125 198	2 153 026
- Refuse	1 300 059	772 398
- Sewerage	6 276 163	3 473 972
- Collection fees	1 417 584	1 087 074
- Housing Installments	-	139 677
- Housing rentals	-	13 200
- Land sales	-	-
- Sundry Debtors	183 225	95 124
- Long-term receivables	-	-
- Other receivables	2 710 867	3 520 851
Bad Debts : Services	-	-
Total impairment costs	17 716 874	12 513 624

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32. DEPRECIATION AND AMORTISATION EXPENSE

	2011	2010
	R	R
<u>Depreciation:</u>		
Property, Plant and Equipment	31 841 659	25 732 514
<u>Amortisation:</u>		
Intangible Assets	13 284	154 471
Total Depreciation and Amortisation costs	<u>31 854 943</u>	<u>25 886 985</u>

33. INTEREST PAID

Finance Leases	286 159	556 045
Other Long-term Liabilities	99 277	107 456
Current Deposit / Grants	310 028	331 200
Total interest	<u>695 464</u>	<u>994 701</u>

34. BULK PURCHASES

Electricity	125 374 428	100 033 541
Water	16 581 088	5 469 149
Total bulk purchases	<u>141 955 515</u>	<u>105 502 690</u>

Bulk purchases are the cost of commodities not generated by the municipality, but which the municipality distributes to consumers. The municipality purchases electricity in bulk from Eskom and then redistributes it to consumers. The municipality has some of its own water sources, but also purchases water in bulk from the Department of Water Affairs and Forestry.

35. CONTRACTED SERVICES

Account Print	430 302	350 678
AMR System	271 300	303 630
Cash Transit	186 889	-
Cleansing Services	2 080 776	2 360 124
Cut of Grass	3 875 403	4 516 820
Gardening Services	64 022	78 238
Info System Maintenance	184 542	160 678
Internal Auditors	815 464	540 215
Life Saving	889 345	876 431
Meter Readings	911 735	726 980
Prepaid System	4 062 861	4 110 486
Refuse Recycling	80 525	87 845
Refuse Removal	3 163 944	2 733 337
Reverse Osmosis Plant	2 499 734	-
Sanitation Services	1 021 921	725 630
Security Services	1 246 669	926 502
Transport Co.	137 597	553 203
Additional Valuations	241 510	259 471
Washing Linen	36 595	28 422
Concessionary Fees- Indigent	145 272	156 891
Total Contracted services	<u>22 346 405</u>	<u>19 495 580</u>

36. GRANTS AND SUBSIDIES PAID

Grant in Aid (Assessment Rates)	-	-
Grant in Aid (Services)	2 243 596	1 806 263
Subsidy: Benefit Discount Scheme	330 864	343 708
SPCA	536 839	387 532
Other Donations	23 000	135 000
Total grants & subsidies	<u>3 134 299</u>	<u>2 672 503</u>

Other Donations:

During 2009/10 Other Donations were made to the amount of R135 000, whereas an amount of R23 000 was donated during 2010/11. These Other Donations includes contributions to NSRI, Child Welfare SA, Heart to Heart Care, Rotary Club of Mossel Bay, etc.

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37. GENERAL EXPENSES

	2011	2010
	R	R
Audit Fees - External Auditors	2 552 686	2 550 859
Bank Charges	2 005 560	1 757 705
Conferences & Seminars	47 017	32 770
Consultant Fees	1 695 999	1 820 227
Contract Work	3 997 160	2 845 425
Contributions to Alien Vegetation Provision	-	-
Contributions to Rehabilitation of Landfill sites Provision	3 439 076	532 584
Desalination Plant	63 855 343	-
Entertainment - Public	38 963	16 697
Fuel & Oil	4 216 197	3 806 415
Hire Charges	102 003	38 475
Housing: Top Structures	21 340 779	15 805 511
Industrial & Tourism - Sect. 21 Co	2 605 518	2 489 547
Insurance	2 144 653	1 803 394
Inventory Items	372 527	309 902
Houses for resale-Written off	699 630	1 051 647
Lease Charges	977 342	958 503
Legal Costs	1 429 215	963 578
Levy - Bargaining Council	39 143	36 158
Levy - Skills Development (SETA)	1 226 680	1 109 193
Levy - Water : DWAF	280 620	380 605
Levy-Water Catchmt Man:DWAF	538 463	869 022
Licence Fees	298 246	321 192
Materials and Stores	7 872 889	8 333 636
Public Functions	172 971	141 076
Refuse Tip Site - External	2 006 864	1 896 536
Relief / Charitable Expenses	76 456	76 501
Transfer to Equitable Share	26 010 870	20 759 262
Telephones and Communications	1 374 545	1 662 904
Travelling & Subsistence	434 672	353 624
Water Rural Areas	117 590	282 839
Other	11 368 170	10 562 319
Less:	(718 896)	(889 265)
Stores handling charges	-	(359 478)
Vehicle and Equipment Recoveries	(264)	(14 586)
Departmental Costs	-	-
Recoverable Expenditure	(718 632)	(515 201)
	<u>162 618 950</u>	<u>82 678 842</u>

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility. In accordance with this agreement, Mossel Bay Municipality will invoice PetroSA for its share of the reconciled, agreed amounts due and payable. The above Desalination Plant expenditure amount of R63 855 343 is for PetroSA's portion of the payment to approved contractors, consultants and/or other service providers under cover of appropriate invoices.

38. FAIR VALUE ADJUSTMENTS

Investment property:

- Fair Value adjusted downwards
- Fair Value adjusted upwards

Total Fair Value adjustments

-	186 421 240
-	(97 661 960)
<u>-</u>	<u>88 759 280</u>

39. PRIOR YEAR ADJUSTMENTS

39.1 Study loan payment correction (Refer Note 17 - Study Loans)

During the 2009/10 financial year, a study loan payment of R474 was incorrectly debited to the Statement of Financial performance and not through the balance sheet account. Refer to Checque 169001 dated 18 February 2010.

Changes to Notes to Annual Financial Statements:

Long-term receivables - Study Loans (Note 17)

Balance at 30 June 2010 on 2009/10 Financial Statements

165 724

Correction study loan payment

474

Restated balance of Study Loans under Long-term receivables as at 30 June 2010

166 198

The Long-term Receivables and the Accumulated surplus for 2009/10 is adjusted accordingly.

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39.2 <u>Sundry Debtors (Refer Note 19 - Other)</u>	2011 R	2010 R
<p>An amount for the Yacht Club was incorrectly raised on a debtor account (Acc nr 99-09999-801) during the 2009/10 financial year. This correction was done after receipt of notice to reverse entry from the Rates Department of the Municipality.</p>		
<p>Changes to Notes to Annual Financial Statements: <u>Receivables from Exchange transactions - Other (Note 19)</u></p>		
Balance at 30 June 2010 on 2009/10 Financial Statements		1 148 675
Correction to Sundry Debtors		<u>(4 174)</u>
Restated balance of Other under receivables from Exchange transactions as at 30 June 2009		<u>1 144 502</u>
<p>The Receivables from Exchange transactions and the Accumulated surplus for 2009/10 is adjusted accordingly.</p>		
<p>39.3 <u>Maintenance materials (Refer Note 18 - Inventory)</u></p>		
<p>During the year maintenance material located at stores was taken up as inventory.</p>		
<p>Changes to Notes to Annual Financial Statements: <u>Inventory (Note 18)</u></p>		
Balance at 30 June 2010 on 2009/10 Financial Statements		12 018 074
Correction to Sundry Debtors		<u>329 468</u>
Restated balance of Inventory as at 30 June 2010		<u>12 347 542</u>
<p>The Inventory and the Accumulated surplus for 2009/10 is adjusted accordingly.</p>		
<p>39.4 <u>Deposits : Other bodies (Refer Note 21 - Investments)</u></p>		
<p>Group Scheme funds of employees that is paid over to the Municipality are invested in the name of the employee in Money market funds. These transactions were previously not put through the municipality's balance sheet.</p>		
<p>Changes to Notes to Annual Financial Statements: <u>Investments (Note 21)</u></p>		
Balance at 30 June 2009 on 2009/10 Financial Statements		-
Long-term Deposits : Other bodies		310 088
Payment to other bodies		<u>(310 088)</u>
Restated balance of Investments as at 30 June 2009		<u>-</u>
Balance at 30 June 2010 on 2009/10 Financial Statements		-
Long-term Deposits : Other bodies		928 000
Payment to other bodies		<u>(928 000)</u>
Restated balance of Investments as at 30 June 2010		<u>-</u>
<p>These transactions was recognised as a long-term deposit and as a creditor payment for the 2008/09 and 2009/10 financial years. The net effect of this correction is NIL, it therefor has no impact on the Municipality's Statement of Financial Position.</p>		

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39.5 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL POSITION:

During the year various prior year adjustments was made to the Statement of Financial Position. The following is a summary of all the movements in the prior year balances:

<i>Changes to Net assets and Liabilities:</i>	2011	2010
	R	R
Balance as at 30 June 2010 (as stated in the 2009/10 Annual Financial Statements):		1674 879 468
<i>Net assets:</i>		325 768
Accumulated surplus / (deficit)		325 768
<i>Non-current Liabilities:</i>		-
<i>Current Liabilities:</i>		-
Restated balance of Net assets and Liabilities as at 30 June 2010		1675 205 237
<i>Changes to Assets:</i>		
Balance as at 30 June 2010 (as stated in the 2009/10 Annual Financial Statements):		1674 879 468
<i>Non-current Assets:</i>		474
Long-term Receivables (Refer note 39.1)		474
<i>Current Assets:</i>		325 294
Inventory (Refer note 39.3)		329 468
Receivables from Exchange transactions (Refer note 39.2)		(4 174)
Restated balance of Assets as at 30 June 2010		1675 205 237

39.6 SUMMARY OF CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE:

During the year various prior year adjustments was made to the Statement of Financial Performance. The following is a summary of all the movements in the prior year balances:

Surplus for the year (as stated in 2009/10 Annual Financial Statements):	(5, 697,542)
<i>Revenue adjustments:</i>	-
<i>Expenditure adjustments:</i>	-
Restated Surplus for the year	(5 697 542)

39.7 SUMMARY OF CHANGES TO STATEMENT OF CHANGES IN NET ASSETS:

During the year various prior year adjustments was made to the Statement of Changes in Net Assets. The following is a summary of all the movements in the prior year balances for the Accumulated Surplus, Capital Replacement Reserve and the Housing Development Fund:

<i>Changes to Accumulated Surplus:</i>	
Balance as at 30 June 2010 (as stated in the 2009/10 Annual Financial Statements):	1387 396 515
Long-term Receivables (Refer note 39.1)	474
Receivables from Exchange transactions (Refer note 39.2)	(4 174)
Inventory (Refer note 39.3)	329 468
Restated balance of Accumulated Surplus as at 30 June 2010	1387 722 284
<i>Changes to Capital Replacement Reserve:</i>	
Balance as at 30 June 2010 (as stated in the 2009/10 Annual Financial Statements):	74 208 578
Restated balance of Capital Replacement Reserve as at 30 June 2010	74 208 578
<i>Changes to Housing Development Fund:</i>	
Balance as at 30 June 2010 (as stated in the 2009/10 Annual Financial Statements):	8 482 344
Restated balance of Housing Development Fund as at 30 June 2010	8 482 344

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40. CHANGE IN ACCOUNTING POLICY

No adjustments due to changes in the accounting policy occurred during the current financial year.

41. CHANGE IN ACCOUNTING ESTIMATES

41.1 Changes in Useful lives (Refer Note 14 - PPE)

Changes in useful lives occurred during the financial year under review. The impact of the change in useful lives were as follow:

Depreciation decreased as follows:

Buildings	(95 795)
Infrastructure assets	(502 104)
Community assets	(23 823)
Other assets	(62 717)
	<u>(684 439)</u>

42. RESTATEMENT OF COMPARATIVE INFORMATION

42.1 Finance leases (Refer Note 4)

The Finance lease liability was previously recognised under Long-term liabilities. The Finance lease liability is now shown under its own note to the Annual Financial Statements. The effect of the restatement is summarised below:

Changes to Notes to Annual Financial Statements:

Other Long-term Liabilities (Note 5)

	2011	2010
	R	R
Balance at 30 June 2010 on 2009/10 Financial Statements of Long-term Liabilities		2 095 799
Finance leases reclassified		<u>(1 522 491)</u>
Restated balance of Long-term Receivables as at 30 June 2010		<u>573 308</u>

The balances of Other Long-term Liabilities and Finance Leases in the Statement of Financial Position has been adjusted accordingly.

42.2 Fair Value adjustments (Refer Note 38)

The upward and downward fair value adjustments on Investment property have been reclassified under a new note to the Annual Financial Statements. The upward adjustment was previously recognised under Other Income (note 27) and the downward adjustment was recognised under General Expenses (note 37). The effect of the restatement is summarised below:

Changes to Notes to Annual Financial Statements:

Other Income (Note 27)

Balance at 30 June 2010 on 2009/10 Financial Statements	124 885 416
Fair value adjustment reclassified	<u>(97 661 960)</u>
Restated balance of Other Income as at 30 June 2010	<u>27 223 456</u>

General Expenses (Note 37)

Balance at 30 June 2010 on 2009/10 Financial Statements	269 100 082
Fair value adjustment reclassified	<u>(186 421 240)</u>
Restated balance of General Expenses as at 30 June 2010	<u>82 678 842</u>

The balances of Other Income, General Expenses and Fair Value Adjustments in the Statement of Financial Performance has been adjusted accordingly.

43. COMPARISON WITH BUDGET

Reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance:

Net surplus/deficit per the statement of financial performance	139 077 595
<u>Adjusted for:</u>	
- Actuarial Loss	3 715 119
- Actuarial Gains	-
- Fair Value Adjustment	-
- Reduction in carrying amount of provisions	<u>(159 390)</u>
Net surplus/deficit after adjustments	<u>142 633 324</u>
Net surplus/deficit as per approved budget	<u>146 129 114</u>
Variance to be explained (refer to Annexure E2 for detail)	<u>3 495 790</u>

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44. CASH GENERATED BY OPERATIONS	2011 R	2010 R
Surplus / (Deficit) for the year	139 077 595	(5 697 542)
Adjustment for:		
Depreciation and Amortisation	31 854 943	25 886 985
Depreciation - Previous year adjustment		
Gain and loss on disposal of property, plant and equipment	775 569	(9 546 790)
Fair Value adjustment	-	88 759 280
Contributions to provisions (non-current)	9 557 746	6 483 727
Contributions to provisions (current)	4 100 569	2 817 006
Actuarial loss	3 715 119	5 340 126
Actuarial gains	-	(83 859)
Contributions to bad debt provision	17 674 278	11 324 190
Bad Debts written off	(12 414 419)	(10 135 596)
Investment Income	(12 313 562)	(18 842 230)
Interest on Unamortised discounts	-	(510)
Operating Lease Income	3 417	(609)
Operating Lease Expenses	(59 916)	31 721
Interest paid	695 464	994 701
Operating surplus before working capital changes:	182 666 803	97 330 602
(Increase) / Decrease in inventories	(1 965 398)	(811 348)
(Increase) / Decrease in receivables from exchange transactions	(4 736 397)	(3 585 079)
(Increase) / Decrease in receivables from non-exchange transactions	12 554 355	(22 760 333)
(Decrease) / Increase in unspent conditional grants & receipts	10 233 601	(608 309)
Increase / (Decrease) in VAT payable/receivable	(5 280 885)	(10 770)
Increase / (Decrease) in Payables from exchange transactions	14 720 608	23 175 266
Cash generated by operations	208 192 686	92 730 029

45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Finance lease liability (see note 4)	1 515 059	3 046 290
Other Long-term liabilities (see note 5)	662 125	730 504
Used to finance PPE - at cost	-	-
Sub-total	<u>2 177 184</u>	<u>3 776 793</u>

Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date (See note 22).

46. UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE

46.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by council or condoned	-	-
Transfer to receivables for recovery (note 20)	-	-
Unauthorised expenditure awaiting authorisation	<u>-</u>	<u>-</u>

46.2 Fruitless & wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	-	1 767
Condoned or written off by Council	-	(1 767)
To be recovered - contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>-</u>

2011

Incident	Disciplinary steps/criminal proceedings
None	

2010

Incident	Disciplinary steps/criminal proceedings
Late cancellation of accommodation - SALGA Workshop could not be attended due to illness R 520	Council decision to write off expenditure
Leave application forms for dismissed employee received late. Leave days owed to Council = 6 days R 1,247	Council decision to write off expenditure

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46.3 Irregular expenditure

	2011 R	2010 R
Reconciliation of irregular expenditure		
Opening balance	-	-
Irregular expenditure current year	-	-
Recovered	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	-	-

47. ADDITIONAL DISCLOSURES i.t.o THE MFMA

47.1 Contributions to SALGA

Opening balance	-	-
Council subscriptions	828 425	487 037
Amount paid - current year	(828 425)	(487 037)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	-	-

47.2 Audit fees

External Audit Fees

Opening balance	(5 731)	-
Current year audit fee	2 558 417	2 550 859
Amount paid - current year	(2 552 686)	(2 556 590)
Amount paid - previous years	-	-
Balance recoverable (included in Payables from exchange transactions)	-	(5 731)

Internal Audit Fees

Opening balance	-	-
Current year audit fee	815 464	540 215
Amount paid - current year	(815 464)	(540 215)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	-	-

47.3 VAT

Vat payable / (receivable)	(2 966 366)	2 314 520
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VAT inputs receivables and VAT outputs payable are shown in Note 13.
All VAT returns have been submitted by the due date throughout the year.

47.4 PAYE and UIF

Opening balance	(2,762)	40
Current year payroll deductions	20 622 088	17 094 864
Amount paid - current year	(20 619 326)	(17 097 665)
Amount paid - previous years	-	-
Balance recoverable (included in Payables from exchange transactions)	(0)	(2 762)

47.5 Pension, Provident and medical aid contributions, Group insurance

Opening balance	-	-
Current year payroll deductions and council contributions	36 951 145	34 188 019
Amount paid - current year	(36 951 145)	(34 188 019)
Amount paid - previous years	-	-
Balance unpaid (included in Payables from exchange transactions)	-	-

47.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June for more than 90 days:

	Total	Outstanding less than 90 days	Outstanding more than 90 days
30 June 2011			
None	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-
30 June 2010			
R Skombingo	4,734	1,289	3,445
Total Councillor Arrear Consumer Accounts	4 734	1 289	3 445

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

	Month	Highest Amount Outstanding R	Ageing
1 July 2010 to 30 June 2011			
S Moodie	September 2010	86	90+ days
R Skombingo	November 2010	1 180	90+ days
J Booyens	September 2010	51	90+ days
SA Mapisa	August 2010	260	90+ days
VB Jacobs	April 2011	202	90+ days
1 July 2009 to 30 June 2010			
S Moodie	December 2010	222	90+ days
R Skombingo	June 2010	3 445	90+ days
J Booyens	December 2010	787	90+ days

47.7 Non-compliance with Chapter 11 of the MFMA

The following deviations and ratifications of minor breaches of procurement processes are reported to council in terms of Paragraph 36(2) of the SCM Policy:

CLOSED QUOTATIONS / TENDERS:

MONTH	R0 - R20 000	R20 001 - R50 000	R50 001 - R100 000	R100 001 - R200 000	Above R200 000
July 2010	155 297	192 232	188 829	-	1 072 950
Aug 2010	394 482	427 028	110 569	-	1 331 586
Sep 2010	188 423	199 487	136 242	657 873	-
Oct 2010	179 354	76 442	-	359 582	-
Nov 2010	272 745	162 573	151 685	-	-
Dec 2010	232 640	137 855	302 559	284 248	-
Jan 2011	272 897	136 136	330 868	-	-
Feb 2011	255 775	152 421	158 372	168 956	-
Mar 2011	260 341	247 649	146 000	114 107	-
Apr 2011	216 556	142 015	194 950	323 458	570 000
May 2011	188 294	198 792	252 260	123 882	-
Jun 2011	218 145	104 726	-	687 780	-
Grand Total	2 834 949	2 177 356	1 972 333	2 719 885	2 974 536

The above-mentioned deviations from the Supply Chain Management processes has been condoned in terms of the approved Supply Chain Management Policy.

47.8 LEVIES PAID TO OTHER GOVERNMENT ORGANISATIONS

	2011 R	2010 R
Levy Department of Water Affairs and Forestry : Water	280 620	380 605
Levy Department of Water Affairs and Forestry : Water Catchment Management	538 463	869 022
Skills Development Levy	1 226 680	1 109 193
Levy Bargaining Council	39 143	36 158

47.9 MATERIAL LOSSES

Electricity distribution losses

- Units purchased (kWh)	285,600,053	287,022,603
- Units lost during distribution (kWh)	17,485,110	21,524,773
- Percentage lost during distribution	6.12%	7.5%

Water distribution losses

- Mega litres purified	5,302	6,471
- Mega litres lost during distribution	839	1,395
- Percentage lost during distribution	15.83%	21.56%

48. CONTRACTUAL COMMITMENTS

Commitments in respect of capital expenditure:

-approved and contracted for	14 375 000	37 232 300
Infrastructure	11 535 000	35 862 300
Community	1 060 000	670 000
Other	1 780 000	700 000

This expenditure will be financed from:

-Finance leases	-	-
-Capital replacement reserve	12 575 000	14 040 000
-Government grants	1 800 000	23 192 300
-Public contributions / donations	-	-
	14 375 000	37 232 300

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49. 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.

49.1 Related Party Transactions

Year ended 30 June 2011

	Rates and service charges	Outstanding balances
	R	R
Councillors	154 043	-
Municipal Manager and Section 57 Personnel	65 657	-
Municipal Entities	-	-

Year ended 30 June 2010

Councillors	132 192	-
Municipal Manager and Section 57 Personnel	57 768	-
Municipal Entities	-	-

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

49.2 Joint Venture - Jointly controlled asset

Mossel Bay Municipality has an agreement with PetroSA for the funding and construction of a jointly-owned 15 Mega litres per day Seawater Desalination facility.

The municipality accounts for its share of the jointly controlled assets, any liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

Refer to notes 14, 28.3 and 37 for more detail on these transactions.

49.3 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 17 to the Annual Financial Statements.

49.4 Compensation of key management personnel

The compensation of key management personnel is set out in note 29.

49.5 Other related party transactions

The following are awards above R2 000 made either to persons in the service of the state or to spouses, children or parents of anybody in the service of the state.

QUOTATIONS:

QUOTATION	AWARDED TO	TOTAL	RELATION
Building of new cover slab for existing septic tank	Marracon (Pty) Ltd	R3 756	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Impounding of livestock and Demolishing of illegal structures	Steph Peterson Holdings	R10 300	The wife of Mr Peterson (the owner of Steph Peterson Holdings) is an employee at Mossel Bay Municipality.
Supply of Printer cartridges	Cartridge Warehouse	R161 572	The owner of Cartridge Warehouse is the son of an employee at Mossel Bay Municipality.
Installation of cupboard	Fixit	R8 674	The owner of Fixit is the father of an employee at Mossel Bay Municipality.
Assessment and Training of Youth in Basic Computer Literacy	Leanco Business Services and Training Centre CC	R38 000	The owner of Leanco Business Services and Training Centre CC is married to a councillor at George Municipality.
Repairing of potholes	Dada Civils	R199 903	Family member of the owner is an employee at the Department of Correctional Services.

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TENDERS:

TENDER	DATE	AWARDED TO	AMOUNT	RELATION
Tender 16/2010: Annual tender for the supply and delivery of bricks, sand, gravel and stone	31/05/2010	Marracon (Pty) Ltd	Various rates	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 19/2010: Delivery and hire of machines and trucks	14/06/2010	Marracon (Pty) Ltd	Various rates	The owners of Marracon (Pty) Ltd are the sons of the Executive Mayor of Mossel Bay Municipality.
Tender 54/2010: Supply, delivery and installation of a new high volume copier machine	05/07/2010	Nashua George	R348 708	The CFO's wife is a Councillor at George Municipality.
Tender 52/2010: The execution of a general valuation and the first supplementary valuation after the general valuation of all properties in the jurisdiction area of the Mossel Bay Municipality	02/08/2010	Abathathu Valuers CC	Various rates	Valuer for Mossel Bay Municipality's cousin is a member of the Closed Corporation.
Tender 66/2010: Reconstruction of Bonanza Street, Kwanonqaba, Mossel Bay	18/10/2010	Dada Civils JV	R427 536	Mabungwe Siviell, Member of Dada JV, declared a spouse and father of a member that is employed by Correctional Services
Tender 75/2010: Rehabilitation of Sewerages: Kwanonqaba	29/11/2010	Mabungwe Civil Contractors	R773 430	A member declared that their spouse is employed by correctional Services
Tender 79/2010: Upgrading of Barnard Avenue, Kwanonqaba, Mossel Bay	20/12/2010	Dada Civils JV	R676 729	AP Nel, member of Dada Civils JV, declared that his spouse is employed by Correctional Services. GA Fillies, member of Dada Civils JV, declared that his father is employed by Correctional Services.
Tender 83/2010: Rehabilitation of Montagu Street, Mossel Bay (Phase 2 A)	14/02/2011	Dada Civils JV	R1 226 199	AP Nel, member of Dada Civils JV, declared that his spouse is employed by Correctional Services. GA Fillies, member of Dada Civils JV, declared that his father is employed by Correctional Services.
Tender 88/2010: Supply, installation and commissioning of low voltage panels, complete with variable speed drivers: Omega pump	21/02/2011	Spamandla Service Electrical JV	R137 761	V De Lange, member of the joint venture, declared that his spouse is employed at SARS, Port Elizabeth.
Tender 3/2011: Asazani/Zinyoka: New Bulk Sewer System: Construction of a sewer pump station	22/03/2011	Dada Civils JV	R1 958 066	AP Nel, member of Dada Civils JV, declared that his spouse is employed by Correctional Services. GA Fillies, member of Dada Civils JV, declared that his father is employed by Correctional Services.
Tender 42/2011: Deforestation	13/06/2011	Steph Petersen Holdings	R3,50 per m ²	Steph Petersen, owner of Steph Petersen Holdings, declared his wife is in the service of Mossel Bay Municipality.

Alderlady M Ferreira (Executive Mayor) do not have any shareholding or interest in Marracon (Pty) Ltd as per the above awards.

The transactions are concluded in full compliance with the Supply Chain Management policy of the Council and the transactions are considered to be at arms length.

50. FINANCIAL RISK MANAGEMENT

Credit risk is defined as the risk that one party to a financial instrument will fail to honour their obligation, thus causing the other party to incur a financial loss.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. This comprises three types of risks, which is currency risk, interest rate risk and other prices risk.

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

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short term investment deposits and bank and cash balances.

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The municipality limits its counterparty exposures from its money market investment operations by only dealing with well established financial institutions of high quality credit standing. The credit exposure to any single counterparty is managed by setting transaction/exposure limits, which are included in the municipality's investment policy. These limits are reviewed annually by the CFO and authorised by the executive mayoral committee.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt. Outstanding accounts are followed up monthly and the supply of electricity accounts not paid on due date are cut immediately.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk is the risk that the municipality will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The financial liabilities of the municipality are backed by appropriate assets and it has adequate liquid resources. The Council monitors the cash projections and by ensuring that borrowing facilities are available to meet its cash requirements.

The maximum credit and interest rate risk exposure in respect of relevant financial instruments is as follows:

Description of type of financial instrument	2011 R	2010 R
Long term receivables	3 374 766	3 659 091
Receivables from Exchange transactions	55 630 668	50 894 272
Other Receivables from Non-Exchange transactions	26 824 618	43 170 071
Cash and Cash Equivalents	164 174 599	178 743 268
Maximum credit and interest rate risk exposure	250 004 651	276 466 701

51. FINANCIAL INSTRUMENTS

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

SUMMARY OF FINANCIAL ASSETS

Short-term Investment Deposits:

Short-term Investment Deposits	At amortised cost	165 000 000	187 000 000
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Bank Balances and Cash:

Bank Balances	At amortised cost	-	-
Petty cash and advances	At amortised cost	18 660	13 980

Long-term Receivables:

Study Loans	At amortised cost	149 782	166 197
Land Sales Debtors	At amortised cost	29 193	33 158
Public Assistance Loans	At amortised cost	327 577	375 243
Housing Selling Scheme Loans	At amortised cost	2 868 214	3 084 493

Receivables from Exchange transactions:

Service debtors	At amortised cost	37 716 426	34 882 022
Debtpack Collections	At amortised cost	14 453	2 308
Land Sales	At amortised cost	4 022	3 539
Housing Instalments	At amortised cost	590 756	588 942
Housing rentals	At amortised cost	238 549	234 450
Sundry Debtors	At amortised cost	766 780	373 021

Other Receivables from Non-Exchange transactions:

Other Receivables from Non-Exchange transactions	At amortised cost	7 870 678	6 807 720
Other Receivables from Non-Exchange transactions	At amortised cost	4 018 485	4 655 571
Other Receivables from Non-Exchange transactions	At amortised cost	-	515 615
Other Receivables from Non-Exchange transactions	At amortised cost	14 935 454	31 191 165

Total Financial Assets

234 549 029	269 927 423
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MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

SUMMARY OF FINANCIAL LIABILITIES		2011	2010
Long term liabilities:		R	R
Local registered stock loans	At amortised cost	495 407	523 887
Annuity loans	At amortised cost	(0)	49 421
Lease liability:			
Finance lease liability	At amortised cost	1 434 035	2 315 412
Payables from exchange transactions:			
Trade and Other Payables	At amortised cost	77 255 867	71 629 786
Unspent conditional grants and receipts:			
Unspent conditional grants and receipts	At amortised cost	23 987 119	13 753 518
Cash and Cash Equivalents:			
Bank Overdraft	At amortised cost	844 061	8 270 712
Current portion of long term liabilities:			
Local registered stock loans	At amortised cost	99 277	80 157
Annuity loans	At amortised cost	67 440	77 039
Current portion of Lease liability:			
Finance lease liability	At amortised cost	81 024	730 878
Total Financial Liabilities		104 264 231	97 430 810

The following methods and assumptions are used to determine the fair value / amortised cost of each class of financial instrument:

Cash and Cash Equivalents

The carrying amount approximates the fair value due to the relatively short-term nature of these financial assets.

Trade and Other receivables / payables

The carrying amount of trade and other receivables (net of provision for impairment) / payables approximates fair value due to the relatively short-term nature of these assets / liabilities.

Long-term Receivables / payables

Subsequent to initial recognition, interest bearing borrowings and receivables are stated at amortised cost. Fixed interest rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market-related interest rates at the reporting date.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting date. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis points increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the entity does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus. There were no changes in the methods and assumptions used in preparing the sensitivity analysis from one year to the next.

Increase in interest rates

	2011	2010
	1%	1%
	R	R
The estimated increase in basis points		
Financial Assets	2 345 490	2 699 274
Financial Liabilities	1 042 642	974 308
Net effect on surplus (Financial Assets minus Financial Liabilities)	1 302 848	1 724 966

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52. CONTINGENT LIABILITIES / ASSETS

52.1 Contractual disputes

Contractual claims in respect of court cases that are currently in dispute and being addressed through mediation the maximum unforeseen liability is estimated at R6 863 000. One of these claims has been referred to our insurance company for the recovery of R963 000.

52.2 Guarantees of employees housing loans

Guarantees have been issued to various financial institutions on behalf of officials in respect of housing loans.

This is covered by individual cumulated pensions depending on the years of service. Collateral investments were made in certain cases. The maximum amount of the guarantees amount to R91 984, and council has a right to recovery.

53. EVENTS AFTER THE REPORTING DATE

53.1 Council has taken a decision to take up a loan of a maximum amount of R30 million in the 2011/12 financial year for the financing of the Desalination Plant project. The planned term of the loan is 15 years and the payment terms is bi-annual interest and redemption payments. The municipality has started the process in July 2011 and will follow the procedures as set out in chapter 6 of the Municipal Finance Management Act.

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Note 54: Implication of standards approved but not yet effective:

Std. no.	Standard title	Standard requirements	Earlier implementation Y/N	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 6 (Revised)	Consolidated and Separate Financial Statements	Entire standard	N	No significant impact is expected as the Municipality does not participate in such business transactions.
GRAP 7 (Revised)	Investment in Associate	Entire standard	N	No significant impact is expected as the Municipality does not participate in such business transactions.
GRAP 18	Segment reporting	Entire standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <ol style="list-style-type: none"> 1) Segment revenue for every reportable segment. 2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in GRAP 18 will also need to be disclosed in the AFS.</p> <p>Note should be taken of the information disclosed as per Appendix C, D, (E1) and (E2).</p>

MOSSEL BAY MUNICIPALITY

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GRAP 24	Presentation of Budget Information in the Financial Statements	Entire Standard	N	<p>The AFS will have to be adjusted to ensure that the disclosure requirements relating to budgeted information are met.</p> <p>Budgeted information is currently disclosed under Appendix (E1) and (E2) and statement of financial performance.</p> <p>A note comparing the budget and the actual surplus/deficit is also included in the Notes to the Annual Financial Statements.</p> <p>Additional disclosure notes should however be disclosed to comply with GRAP 24.</p>
GRAP 25	Employee Benefits	Entire Standard	N	<p>The adjustments will not be material due to the fact that the Municipality already complies with IAS 19 with regards to Employee Benefits.</p>
GRAP 103	Heritage assets	Entire Standard	N	<p>Additional disclosure will be done on all Heritage assets identified.</p>
GRAP 104	Financial Instruments	Entire Standard	N	<p>The adjustments will not be material due to the fact that the Municipality already complies with IAS 32, IAS 39 and IFRS 7 with regards to Financial Instruments.</p>

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APPENDICES

Appendix A : Schedule of External Loans

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011									
External loans	Loan number	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Unamortised discount on loans	Balance at 30 June 2010	Carrying value of PPE	Other costs in accordance with the MFMA
			R	R	R		R	R	R
STOCK LOANS									
Stock loan @ 15.00%	1/97	2012/12/31	6 891	-	-	(2 402)	4 489	-	-
Stock loan @ 15.00%	2/97	2012/12/31	3 580	-	-	(1 248)	2 332	-	-
Stock loan @ 15.00%	1/99	2013/12/31	3 191	-	-	(675)	2 516	-	-
Stock loan @ 15.00%	2/99	2015/12/31	92 500	-	-	-	92 500	-	-
Stock loan @ 15.00%	2/2000/01	2015/11/01	13 538	-	-	-	13 538	-	-
Stock loan @ 15.00%	1/2000/01	2015/07/20	92 308	-	-	-	92 308	-	-
Stock loan @ 15.00%	4/2000/01	2016/03/01	13 847	-	-	-	13 847	-	-
Stock loan @ 15.00%	1/2001/02	2016/10/01	178 462	-	-	-	178 462	-	-
Stock loan @ 15.00%	2/2001/02	2016/10/01	36 924	-	-	-	36 924	-	-
Stock loan @ 15.00%	1/2002/03	2018/03/07	61 539	-	-	-	61 539	-	-
Stock loan @ 12.00%	2/2003/04	2018/10/31	30 714	-	-	-	30 714	-	-
Stock loan @ 12.00%	1/2003/04	2018/09/18	70 549	-	-	(5 035)	65 515	-	-
Total long-term loans			604 044	-	-	(9 359)	594 685	-	-
ANNUITY LOANS									
Eden District Municipality @ 0.00%	-	2009/08/31	-	-	-	-	-	-	-
Eden District Municipality @ 0.00%	-	2012/02/28	126 460	-	77 039	18 019	67 440	-	-
Total annuity loans			126 460	-	77 039	18 019	67 440	-	-
TOTAL EXTERNAL LOANS			730 504	-	77 039	8 660	662 125	-	-

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Appendix B : Segmental analysis of PPE

SEGMENTAL ANALYSIS OF PPE (PER MUNICIPAL DEPARTMENT)													
30 JUNE 2011													
	Cost					Accumulated depreciation							Carrying value
	Opening balance	Under construction	Additions	Disposals	Closing balance	Opening balance	Additions	Impairment losses	Disposals		Change in Useful lives	Closing balance	
									Depreciation	Impairment losses			
Municipal Manager	4 009 405		17 462	114 011	3 912 856	1 757 737	103 110		123 259	-	(2 169)	1 735 419	2 177 437
Manager Financial Services	4 020 319		1 046 315	310 842	4 755 792	2 303 348	578 421		549 279	-	(12 167)	2 320 323	2 435 469
Manager Technical Services	1 547 063		152 600	249 531	1 450 132	1 038 698	144 201		225 082	-	(3 033)	954 784	495 348
Electricity Administration	1 649 909		2 536 567	102 732	4 083 744	1 155 908	103 531			-	(2 178)	1 257 261	2 826 483
Electricity Distribution	136 538 587	18 256 999	12 352 928	640 221	166 508 293	42 318 622	4 879 963			-	(102 646)	47 095 939	119 412 354
Manager Corporate Services	858 163 675		1 595 507	534 702	859 224 481	33 709 885	2 984 732		332 191	-	(62 782)	36 299 645	822 924 836
Sewerage	104 309 862	16 865 341	7 172 181	332 980	128 014 404	36 085 049	3 851 079		1 659	-	(81 005)	39 853 464	88 160 940
Streets and Stormwater	171 424 922	24 767 641	4 862 238	422 747	200 632 054	49 718 616	7 287 730		457	-	(153 202)	56 852 687	143 779 367
Water	174 561 440	232 039 189	5 860 122	711 214	411 749 537	49 713 518	5 449 091		9 370	-	(114 618)	55 038 621	356 710 916
Cleansing Services	7 007 036		1 893 610	133 943	8 766 703	3 420 031	794 136		217 630	-	(16 704)	3 979 833	4 786 870
Development Planning and Housing	2 855 660	2 594 082	577 102	117 902	5 908 942	1 012 148	2 991 223		162 136	-	(62 918)	3 778 317	2 130 625
Parks, Recreation and Sport Grounds	23 627 355	37 360	1 424 479	371 296	24 717 898	6 652 616	1 429 008		571 392	-	(30 058)	7 480 174	17 237 724
Beaches, Caravan Parks and Chalets	21 614 176		329 618	118 869	21 824 925	11 329 677	170 470		204 392	-	(3 586)	11 292 170	10 532 755
Fire Services	7 011 116		2 795 360	239 967	9 566 509	3 126 183	402 479		328 109	-	(8 466)	3 192 087	6 374 422
Public safety	4 650 849		2 616 682	587 830	6 679 701	1 846 685	908 702		755 032	-	(19 114)	1 981 241	4 698 460
Manager Community Services	11 778 497		990 131	464 639	12 303 989	2 573 662	461 418		442 820	-	(9 706)	2 582 554	9 721 435
TOTAL	1534 769 871	294 560 612	46 222 902	5 453 426	1870 099 960	247 762 383	32 539 294	-	3 922 808	-	(684 349)	275 694 519	1594 405 441

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Appendix C : Segmental analysis of Statement of Financial Performance (Mun Dept classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011						
MUNICIPAL DEPARTMENT CLASSIFICATION						
2009	2009	2009		2010	2010	2010
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
135 891 329	234 065 322	(98 173 993)	Municipal Manager & Council	23 526 849	45 289 280	(21 762 432)
1 009 084	19 034 917	(18 025 833)	Manager Corporate Services	1 112 914	20 477 377	(19 364 463)
185 677	2 820 987	(2 635 309)	Socio Economic Plan and Dev	216 879	3 641 596	(3 424 717)
4 576 584	13 061 040	(8 484 457)	Town planning & Building control	3 986 800	13 867 240	(9 880 440)
848 499	4 943 920	(4 095 422)	Libraries	873 985	4 929 906	(4 055 921)
61 063 660	27 576 251	33 487 409	Manager Financial Services	71 906 092	30 591 912	41 314 180
-	4 309 600	(4 309 600)	Manager Technical Services	46 410	4 324 012	(4 277 602)
190 099 315	127 758 676	62 340 639	Electricity	233 580 821	156 251 749	77 329 072
9 411 393	22 554 891	(13 143 498)	Streets and Storm water	7 244 247	20 416 169	(13 171 922)
57 003 669	29 930 396	27 073 272	Sewerage	59 811 259	34 361 137	25 450 122
103 988 970	45 226 882	58 762 089	Water	245 274 517	129 930 775	115 343 743
(382 816)	4 302 210	(4 685 025)	Manager Community Services	45 128	5 179 223	(5 134 095)
5 428 661	6 194 161	(765 500)	Caravan Parks and Chalets	5 607 606	7 011 485	(1 403 880)
137 303	528 676	(391 373)	Cemeteries	170 353	529 129	(358 776)
32 602 716	26 405 022	6 197 694	Cleansing	38 396 350	30 576 394	7 819 956
19 721 608	20 948 314	(1 226 707)	Housing	23 836 468	25 031 102	(1 194 635)
7 024 126	23 742 984	(16 718 858)	Public Safety and Rescue Services	7 929 494	26 630 005	(18 700 511)
432 745	22 225 079	(21 792 335)	Parks and Recreation	21 247	26 190 228	(26 168 981)
629 042 522	635 629 329	(6 586 806)	Sub Total	723 587 418	585 228 720	138 358 698
	889 265	(889 265)	Less inter-dep charges		718 896	(718 896)
629 042 522	634 740 064	(5 697 542)	Total	723 587 418	584 509 823	139 077 595

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Annual Financial Statements for the year ended 30 June 2011

Appendix D : Segmental analysis of Statement of Financial Performance (GFS classification)

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011						
GFS CLASSIFICATION						
2009	2009	2009		2010	2010	2010
Actual income	Actual expenditure	Surplus/ (deficit)	SEGMENT	Actual income	Actual expenditure	Surplus/ (deficit)
R	R	R		R	R	R
602 986	9 774 806	(9 171 820)	Community & Social Services	1 089 466	10 638 258	(9 548 792)
190 099 315	127 758 676	62 340 639	Electricity	233 580 821	156 251 749	77 329 072
135 891 329	234 381 467	(98 490 137)	Executive & Council	23 716 874	45 707 975	(21 991 100)
62 072 743	50 603 247	11 469 496	Finance & Admin	72 875 390	54 973 153	17 902 237
19 721 608	20 948 314	(1 226 707)	Housing	23 836 468	25 031 102	(1 194 635)
-	1 376	(1 376)	Other	-	1 454	(1 454)
4 762 261	15 882 027	(11 119 766)	Planning and Development	4 203 679	17 508 836	(13 305 157)
7 024 126	23 742 984	(16 718 858)	Public Safety	7 929 494	26 630 005	(18 700 511)
5 301 781	19 343 256	(14 041 475)	Road Transport	7 243 539	14 734 176	(7 490 636)
5 861 406	28 419 241	(22 557 835)	Sport and Recreation	5 628 853	33 201 714	(27 572 861)
32 602 716	26 405 022	6 197 694	Waste Management	38 396 350	30 576 394	7 819 956
61 113 281	33 142 032	27 971 249	Waste Water Management	59 811 967	40 043 131	19 768 836
103 988 970	45 226 882	58 762 089	Water	245 274 517	129 930 775	115 343 743
629 042 522	635 629 329	(6 586 806)	Sub Total	723 587 418	585 228 720	138 358 698
	889 265	(889 265)	Less inter-dep charges		718 896	(718 896)
629 042 522	634 740 064	(5 697 542)	Total	723 587 418	584 509 823	139 077 595

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Appendix E (1) : Actual VS Budget (Revenue + Expenditure)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011					
REVENUE	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of significant variance greater than 10% versus budget
Property rates	64 540 291	64 646 039	(105 748)	-0.2%	
Property rates - penalties imposed & collection charges	2 072 580	2 125 335	(52 755)	-2.5%	
Service charges	333 503 898	325 512 495	7 991 403	2.5%	
Rental of facilities & equipment	8 629 948	8 957 097	(327 149)	-3.7%	
Interest earned - external investments	11 971 259	11 255 312	715 947	6.4%	
Interest earned - unamortised discount	-	-	-		
Interest earned - outstanding debtors	342 303	341 243	1 060	0.3%	
Fines	3 410 905	3 103 201	307 704	9.9%	
Actuarial gains	-	-	-		
Licences and permits	4 448 112	4 477 114	(29 002)	-0.6%	
Government grants and subsidies	194 332 650	221 610 847	(27 278 197)	-12.3%	The Municipality had unspent grants to the amount of R23 million at year-end.
Other income	29 370 824	46 526 960	(17 156 136)	-36.9%	The budgeted contribution for R9,7 million from the Accumulated Surplus was not necessary seeing as the municipality had an operating surplus for the 2010/11 year. The contributions from External services and Land sales were under by an amount R1 860 895. The budgeted contribution from Transfer Erven was transferred through the Statement of Changes in Net Assets to the amount of R5 498 453.
Public contributions, donated/contributed PPE	70 890 254	86 379 497	(15 489 243)	-17.9%	The municipality budgeted for payments from PetroSA towards the Desalination Plant to the amount of R80 million of which only R63 855 343 has realised. The completion date was extended to September 2011 and the balance was rolled-over to the 2011/12 financial year.
Total Revenue	723 513 024	774 935 140	(51 422 116)	-6.6%	

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Appendix E (1) : Actual VS Budget (Revenue + Expenditure)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011					
EXPENDITURE	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of significant variance greater than 10% versus budget
Employee-related costs	160 539 586	174 703 130	(14 163 544)	-8.1%	
Remuneration of Councillors	6 234 907	6 458 786	(223 879)	-3.5%	
Impairment Costs	17 716 874	10 008 079	7 708 795	77.0%	An amount of R2,7 million was provided for the Housing operating account deficit for the 2010/11 year which was not budgeted for. A higher pay percentage for Water and Sanitation services was budgeted for.
Collection Costs	4 728 181	4 832 300	(104 119)	-2.2%	
Depreciation	31 841 659	31 612 567	229 092	0.7%	
Amortisation - Intangible Assets	13 284	123 551	(110 267)	-89.2%	Budgeted incorrectly for Amortisation on Intangible assets.
Actuarial loss	3 715 119	-	3 715 119		No actuarial loss was projected in the 2009/10 Actuarial report and the Municipality therefor did not budget for a loss. Also refer to notes 7.1.2 (3), 7.2.2 (3) and 7.3.2 (3) of this financial statements for detail on the actuarial loss.
Repairs and maintenance	28 119 617	37 914 949	(9 795 332)	-25.8%	An amount of R2,3 million was budgeted for Streets resealing funded from Provincial grants. This amount was actually spent on Capital projects and not on the operating budget. The municipality budgeted for an amount of R1 million for the Rehabilitation of River mouths that did not realise. R2,5 million of the funds received for Electricity Efficiency was unspent at 30 June 2011 and will be rolled over to the 2011/12 financial year.
Interest paid	695 464	850 787	(155 323)	-18.3%	Interest on Finance leases over budgeted. The municipality purchased vehicles that was previously on lease.
Bulk purchases	141 955 515	132 395 145	9 560 370	7.2%	
Contracted services	22 346 405	26 798 985	(4 452 580)	-16.6%	The municipality budgeted for expenditure on the Desalination Plant to the amount of R1 350 000 which did not realise due to the Plant being under construction at 30 June 2011. The municipality budgeted for a full year of operational expenditure on the Reverse Osmosis Plant, but only had expenditure for 6 months.
Grants and subsidies paid	3 134 299	3 194 096	(59 797)	-1.9%	
General expenses - other	162 618 950	199 837 655	(37 218 705)	-18.6%	An amount of R5,8 million was budgeted for the transfers for Land Sales and Ext. services to the reserves, which was transferred through the Statement of Changes in Net Assets and not through the Statement of Financial Performance. An amount of R3,3 million was provided for a contribution to the CRR in the budget, which was transferred through the Statement of Changes in Net Assets and not as a direct contribution. Expenditure to the amount of R5,3 million for Housing topstructure did not realise. PetroSA's expenditure on the Desalination Plant to the amount of R16,1 million did not realise and will be expensed in the 2011/12 financial year.
Total Expenditure	583 659 861	628 730 030	(45 070 169)	-7.2%	
Gain on disposal of Property, Plant & Equipment	74 394	32 004	42 390	132.5%	Did not foresee the actual gain during budgeting process.
Loss on disposal of Property, Plant & Equipment	(849 963)	(108 000)	(741 963)	687.0%	Did not foresee the actual loss during budgeting process.
Fair Value Adjustment	-	-	-		
NET SURPLUS/(DEFICIT) FOR THE YEAR	139 077 595	146 129 114	(7 051 519)	-4.8%	

MOSSEL BAY MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Appendix E (2) : Actual VS Budget (Acquisition of PPE)

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2011					
	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of significant variances greater than 5% versus budget
Land and Buildings					Various capital projects are included in each category of Capital acquisitions. Please refer to the report on explanations of significant variances per project, as tabled to Council.
Land	92 023	120 000	27 977	23.31%	
Buildings	818 196	1 386 046	567 850	40.97%	
	910 219	1 506 046	595 827	39.56%	
Infrastructure					
Drains	3 842 431	5 411 698	1 569 267	29.00%	
Roads	20 422 153	22 926 707	2 504 554	10.92%	
Beach improvements	341 662	1 250 000	908 338	72.67%	
Sewerage Mains & Purif	13 785 547	17 204 586	3 419 039	19.87%	
Electricity Mains	11 503 324	12 735 833	1 232 509	9.68%	
Electricity peak load equip	20 201 982	22 614 897	2 412 915	10.67%	
Water mains & purification	142 119 305	150 960 592	8 841 287	5.86%	
Reservoirs - Water	-	-	-		
Water meters	536 363	974 884	438 521	44.98%	
Water mains	6 118 004	5 381 017	(736 987)	-13.70%	
	218 870 771	239 460 214	20 589 443	8.60%	
Community Assets					
Parks & Gardens	177 039	191 753	14 714	7.67%	
Libraries	26 875	29 500	2 625	8.90%	
Recreation grounds	2 301 588	3 465 567	1 163 979	33.59%	
Community buildings	63 415	3 339 543	3 276 128	98.10%	
	2 568 917	7 026 363	4 457 446	63.44%	
Heritage assets					
Historical buildings	-	-	-		
Painting & art galleries	-	-	-		
	-	-	-		
Total carried forward	222 349 907	247 992 623	25 642 716	10.34%	

MOSSEL BAY MUNICIPALITY

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Appendix E (2) : Actual VS Budget (Acquisition of PPE) continued

ACTUAL VERSUS BUDGET (ACQUISITION OF PPE) FOR THE YEAR ENDED 30 JUNE 2011					
	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of significant variances greater than 5% versus budget
Total brought forward	222 349 907	247 992 623	25 642 716	10.34%	Various capital projects are included in each category of Capital acquisitions. Please refer to the report on explanations of significant variances per project, as tabled to Council.
Housing rental stock					
Housing rental 1	-	-	-		
Housing rental 2	-	-	-		
	-	-	-		
Leased assets (Infrastructure)					
Leased assets (Infrastructure)	61 600	480 780	419 180	87.19%	
	61 600	480 780	419 180	87.19%	
Other assets					
Landfill sites	201 972	250 000	48 028	19.21%	
Office equipment	883 572	849 145	(34 427)	-4.05%	
Furniture & fittings	1 348 255	1 500 044	151 789	10.12%	
Bins & containers	149 226	155 046	5 820	3.75%	
Emergency equipment	557 066	639 643	82 577	12.91%	
Motor vehicles	4 278 528	4 336 949	58 421	1.35%	
Fire engines	1 906 800	1 931 800	25 000	1.29%	
Refuse tankers	1 827 862	1 956 950	129 088	6.60%	
Computer equipment	315 586	396 000	80 414	20.31%	
Councillors regalia	-	-	-		
Conservancy tankers	48 772	48 772	0	0.00%	
Watercraft	-	-	-		
	11 517 640	12 064 349	546 709	4.53%	
Non PPE					
Investment Properties	-	-	-		
Intangible Assets	-	-	-		
Agricultural Assets	-	-	-		
	-	-	-		
Total	233 929 147	260 537 752	26 608 605	10.21%	

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Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA)

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2011												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
CAPITAL GRANTS & SUBSIDIES												
AZIZANI/ZINYOKA INFRASTRUCTURE	Department of Housing	31,036	1,456,288		3,473,041		298,943	127,849	63,530	286,941		4,183,102
UPGRADE SEWER PLANT- FRIEMERSHEIM	MIG	935,065	200,000	716,000					994,996	788,539		67,530
BUCKET SYSTEM	MIG	22,510										22,510
FRIEMERSHEIM NEW BUS ROUTES	MIG	1,276,185	200,000					26,567	1,285,431	42,935		121,252
ASIZANI/ZINYOKA MAIN ACCESS ROADS	MIG	530,984	1,600,000	1,824,000		1,446,639	767,417	1,150,584	384,233			206,110
EPWP : PAVE GRAVEL ROADS - ALL AREAS	EPWP	(450,448)	200,000	800,000	223,000	674,000			91,702	1,215,290		139,560
GBR: ENLARGE WATER TREATMENT PLANT	MIG		1,352,300	2,705,000	1,295,000		1,150	1,462,853	1,041,229	606,242		2,240,826
WARD COMMITTEES - NEW VEHICLE	MSIG				121,557					121,557		-
WARD COMMITTEES - TRACKER SYSTEM	MSIG				-							-
CDW - FURNITURE, TOOLS & EQUIPMENT	Department of Social Services	68,469								68,469		0
NEW VEHICLE - CDW	Department of Social Services				121,557					121,557		-
CAMI PROJECT - LIBRARIES	MSIG				70,175				70,175			-
SCANNERS	MSIG			25,817				25,817				-
FMG - LAPTOPS INTERNS	FMG		18,530						18,530			-
RE-USE EFFLUENT WATER	MIG		216,679	100,000						316,679		0
EXPAND RAW WATER RESOURCES	MIG			9,711,224	288,776		2,670,044	4,462,425	937,205	521,234		1,409,091
EXPAND RAW WATER RESOURCES	Eden District Municipality			1,861,936				1,861,936				-
DESALINATION PLANT	DWAF				92,000,000		6,069,132	55,651,891	30,278,977			-
FRIEMERSHEIM INFRASTRUCTURE	Department of Housing			1,691,750	3,850,650	406,800			800,184	3,837,111		1,311,906
KIEWIET STREET	Department of Housing				500,000					647,655	147,655	-
POWERTOWN EHS	Department of Housing	142,011										142,011
MULTI-PURPOSE CENTRE - KWANONQABA	Department of Social Development	3,141,043				1,638,073						4,779,116
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	DME	5,960,096					4,532,739	1,321,803	105,554			0
ELECTRIFICATION PROJECTS	NER	(65,167)	930,000	3,746,000	2,824,000		914,796	1,719,625	2,088,978	1,773,034		938,400
TOTAL CAPITAL GRANTS		11,591,784	6,173,797	23,181,727	104,767,756	2,718,873	15,933,443	67,428,184	38,927,076	10,731,475	147,655	15,561,414

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Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2011												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
OPERATIONAL GRANTS & SUBSIDIES												
GBR/WOLWEDANS PROJECT (TOPSTRUCTURES)	Department of Housing	911,803	5,614,635	4,597,209	7,521,619	2,101,215	4,989,293	4,961,770	4,676,815	5,233,055		885,548
LGWSETA SKILLS DEVELOPMENT	SETA	69,923	94,886		260,084		93,841	328,447	124,795	315,675	437,865	-
FINANCE MANAGEMENT GRANT	NATIONAL	150,715	981,470				267,193	136,845	146,882	576,770		4,495
EQUITABLE SHARE	NATIONAL		14,263,582	11,411,000	8,558,149		6,228,542	7,698,230	8,555,508	11,750,450		0
SUBSIDY NEWS LETTERS - M-Bay	PAWC - Culture Affairs & Sport			749	768	3,617	1,298	470	964	2,402		-
SUBSIDY NEWS LETTERS - D'Almeida	PAWC - Culture Affairs & Sport			840	848	1,686	566	839	844	1,125		(0)
SUBSIDY NEWS LETTERS - G/Brak	PAWC - Culture Affairs & Sport			716		1,094	716		574	520		0
SUBSIDY NEWS LETTERS - Greenhaven	PAWC - Culture Affairs & Sport			716		1,018	424	292	574	444		0
SUBSIDY NEWS LETTERS - Hartenbos	PAWC - Culture Affairs & Sport			437	323	503	328	213	500	222		0
SUBSIDY NEWS LETTERS - Kwanonqaba	PAWC - Culture Affairs & Sport			840	848	1,777	566	923	851	1,125		-
SUBSIDY POSTAGE - MOSSEL BAY	PAWC - Culture Affairs & Sport					3,873				3,873		-
HOME OWNERS EDUCATION	Department of Housing	33,292				548	9,126	12,530	1,600	6,300		4,284
PROVINCIAL MANAGEMENT SUPPORT GRANT	PAWC	2,268					2,268					0
COMMUNITY DEVELOPMENT WORKERS	Department of Social Services	46,548		3,443		5,671	841	1,286	2,106	2,315		49,113
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	124,927	602,626				82,817	105,604	228,681	264,142		46,309
REPAIR WATER LEAKAGES	Masibambani	89,185					58,728	30,456				(0)
INTEGRATION RURAL SETTLEMENTS	Department of Housing		163,680	40,920			144,939	36,235				23,426
TEMPORARY CASUAL STAFF - LIBRARIES	PAWC - Culture Affairs & Sport		320,400	240,400	170,025		147,313	148,445	142,220	292,846		-
OPERATING BALANCE PAWC	Department of Housing					2,710,867				2,710,867		-
ROADS BRANDWACHT	PAWC				1,803,000	22,176				208,912		1,616,264
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	DME	184,294		5,000,000	1,000,000				127,468	2,301,597		3,755,229
TOTAL OPERATING GRANTS		1,612,955	22,041,279	21,297,269	19,315,663	4,854,045	12,028,800	13,462,586	14,010,383	23,672,639	437,865	6,384,668

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Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2011												
Name of PROJECT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
PUBLIC CONTRIBUTIONS & DONATED PPE												
S/W HARTENBOS STATION & SURROUNDING AREAS	PETROSA					2,496,327				2,496,327		-
DESALINATION PLANT	PETROSA		3,699,070	32,551,259	15,573,517	7,398,355	3,932,669	32,317,659	15,573,517	12,031,497	4,633,142	-
REBUILD TAR ROADS : MAYIXHALE STREET	PETROSA					666,667				515,465		151,202
AMY SEARLE CHANNEL	PETROSA					666,667				85,280		581,387
DONATED COMPUTERS	Public Contribution					20,000				20,000		-
CAMI PROJECT - LIBRARIES	Public Contribution					10,000				10,000		-
RELIEF CHARITABLE FUND	Public Contribution	33,164	50,000		38,000	50,000	35,045	11,460	11,891	18,060		94,708
YOUTH DAY DONATIONS	PETROSA					20,000				20,000		-
DEFORESTATION	PETROSA					833,333				286,260		547,074
REHABILITATION OF RIVER MOUTHS	PETROSA					666,667						666,667
TOTAL PUBLIC CONTR. & DONATED PPE		33,164	3,749,070	32,551,259	15,611,517	12,828,015	3,967,714	32,329,119	15,585,408	15,482,889	4,633,142	2,041,037
TOTAL GRANTS, SUBSIDIES, PUBLIC CONTRIBUTIONS & DONATED PPE		13,237,903	31,964,146	77,030,254	139,694,937	20,400,933	31,929,957	113,219,890	68,522,867	49,887,003	5,218,662	23,987,119

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2011												
Name of VOTE	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per vote)												
MUNICIPAL MANAGER		33,164	14,313,582	11,411,000	8,596,149	70,000	6,263,587	7,709,690	8,567,399	11,788,510	-	94,708
CORPORATE SERVICES		3,453,178	697,512	3,443	503,198	1,663,744	179,768	435,337	355,582	913,715	437,865	4,874,538
FINANCIAL SERVICES		150,715	1,000,000	25,817	-	-	267,193	162,662	165,412	576,770	-	4,495
TECHNICAL SERVICES		2,403,481	7,468,049	50,269,419	111,183,293	11,924,192	14,178,363	96,581,204	51,353,642	19,212,634	4,633,142	6,555,732
COMMUNITY SERVICES		-	320,400	244,696	242,987	1,523,568	151,210	151,183	216,702	598,815	-	1,213,740
ELECTRICITY SERVICES		6,079,223	930,000	8,746,000	3,824,000	-	5,447,535	3,041,428	2,322,000	4,074,630	-	4,693,629
DEVELOPMENT PLANNING & HOUSING		1,118,142	7,234,603	6,329,879	15,345,310	5,219,429	5,442,301	5,138,384	5,542,129	12,721,928	147,655	6,550,276
TOTAL PUBLIC CONTR. & DONATED PPE		13,237,903	31,964,146	77,030,254	139,694,937	20,400,933	31,929,957	113,219,890	68,522,867	49,887,003	5,218,662	23,987,119

MOSSEL BAY MUNICIPALITY

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Appendix F : Disclosure of Grants and Subsidies (According to Section 123 of MFMA) continued

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 FOR THE YEAR ENDED 30 JUNE 2011												
Name of GRANT	Name of Organ of State, Municipal Entity or Grant	Opening Balance	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/with held June	Total
			Sept	Dec	March	June	Sept	Dec	March	June		
ALL GRANTS, SUBSIDIES AND PUBLIC CONTRIBUTIONS & DONATED PPE (per grant)												
EQUITABLE SHARE	NATIONAL	-	14,263,582	11,411,000	8,558,149	-	6,228,542	7,698,230	8,555,508	11,750,450	-	0
FINANCE MANAGEMENT GRANT	NATIONAL	150,715	1,000,000	-	-	-	267,193	136,845	165,412	576,770	-	4,495
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	NATIONAL	124,927	602,626	25,817	191,732	-	82,817	131,421	298,857	385,699	-	46,309
MUNICIPAL INFRASTRUCTURE GRANT	NATIONAL	2,764,744	3,568,979	15,056,224	1,583,776	-	4,117,833	6,719,262	5,409,446	2,659,863	-	4,067,319
DROUGHT RELIEF GRANT	NATIONAL	-	-	-	92,000,000	-	6,069,132	55,651,891	30,278,977	-	-	-
INTEGRATED HOUSING AND HUMAN SETTLEMENT & DEVELOPMENT GRANT	Department of Housing	1,118,142	7,234,603	6,329,879	15,345,310	2,508,562	5,442,301	5,138,384	5,542,129	10,011,061	147,655	6,550,276
MAINTENANCE OF PROCLAIMED ROADS	PAWC	-	-	-	1,803,000	22,176	-	-	-	208,912	-	1,616,264
EXTENDED PUBLIC WORKS PROGRAMME	PAWC	(450,448)	200,000	800,000	223,000	674,000	-	-	91,702	1,215,290	-	139,560
LIBRARY SERVICES	PAWC - Culture Affairs & Sport	-	320,400	240,400	170,025	-	147,313	148,445	142,220	292,846	-	-
ENERGY EFFICIENCY & DEMAND SIDE MANAGEMENT	Department of Mineral & Energy	6,144,390	-	5,000,000	1,000,000	-	4,532,739	1,321,803	233,022	2,301,597	-	3,755,229
MULTI-PURPOSE CENTRE	Department of Social Development	3,141,043	-	-	-	1,638,073	-	-	-	-	-	4,779,116
PROVINCIAL MANAGEMENT SUPPORT GRANT	PAWC	2,268	-	-	-	-	2,268	-	-	-	-	0
COMMUNITY DEVELOPMENT WORKERS	Department of Social Services	115,017	-	3,443	121,557	5,671	841	1,286	2,106	192,341	-	49,113
LGWSETA SKILLS DEVELOPMENT	LGWSETA	69,923	94,886	-	260,084	-	93,841	328,447	124,795	315,675	437,865	-
ELECTRIFICATION PROJECTS	NER	(65,167)	930,000	3,746,000	2,824,000	-	914,796	1,719,625	2,088,978	1,773,034	-	938,400
MASIBAMBANI PROJECT	NATIONAL	89,185	-	-	-	-	58,728	30,456	-	-	-	(0)
DONATED PPE		-	-	-	-	30,000	-	-	-	30,000	-	-
EDEN DISTRICT CONTRIBUTIONS	Eden District Municipality	-	-	1,861,936	-	-	-	1,861,936	-	-	-	-
PUBLIC CONTRIBUTIONS AND OTHER SUBSIDIES		33,164	3,749,070	32,555,555	15,614,304	15,522,451	3,971,612	32,331,857	15,589,715	18,173,465	4,633,142	2,041,037
TOTAL GRANTS		13,237,903	31,964,146	77,030,254	139,694,937	20,400,933	31,929,957	113,219,890	68,522,867	49,887,003	5,218,662	23,987,119