Nquthu Local Municipality
Annual Financial Statements
for the year ended 30 June 2010

General Information

Mayoral committee	
Mayor	Ms NM Zungu
Deputy Mayor	Mr TA Dlamini
Speaker	Mrs VHN Makhoba
Councillors	Ms TG Ntshalintshali
	Mrs EN Molefe
	Ms NP Zulu
	Mr SM Kunene
	Mr S Ndlovu
	Mr JC Ndlovu
	Mr SM Buthelezi
	Ms NN Khanyile
	Mr TC Njoko
	Ms AB Zulu
	Mr RS Langa
	Mr SD Buthelezi
	Mr PM Ngobese
	M.A. Ntombela
	Mrs MA Langa
	Mr RA Ndlovu
	Mr GJG Mncube
	Mrs CN Mhlanga
	Mr SS Mdladla
	Mr FI Mdlalose
	Mrs ET Nhlebela
	Mr TM Ndlovu
	Mrs BR Molefe
	Mr MN Buthelezi
	Mr ME Mnguni
Grading of local authority	2
Municipal Manager	Bongi Gumbi
Chief Finance Officer (CFO)	Sakhile Mpanza
Registered office	Municipal Building 83/11 Mdlalose Street Nquthu
Business address	Municipal Building 83/11 Mdlalose Street Nquthu 3135
Postal address	Private Bag X 5521 Nquthu 3135
Telephone number	(034)271 6100
Fax number	(034) 271 6111

General Information

Bankers	ABSA South Africa
Auditors	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the Council:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2010 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on pages xx .

The annual financial statements set out on pages 5 to 47, which have been prepared on the going concern basis, were approved on 6 September 2010 and were signed on its behalf by:

Bongi Gumbi
Municipal Manager

Accounting Officer's Report

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	8	211,109	-
Other receivables	9	866,085	818,048
VAT receivable	10	964,487	3,442,409
Consumer debtors	11	6,350,657	4,116,199
Investments	30	10,100,389	3,994,475
Cash and cash equivalents	12	704,446	1,662,020
		19,197,173	**14,033,151**
Non-Current Assets			
Investment property	6	1,360,918	1,423,573
Property, plant and equipment	5	54,735,679	51,678,642
Intangible assets	7	2,339	-
		56,098,936	**53,102,215**
Non-Current Assets		56,098,936	53,102,215
Current Assets		19,197,173	14,033,151
Total Assets		**75,296,109**	**67,135,366**
Liabilities			
Current Liabilities			
Finance lease obligation	13	602,918	176,803
Trade and other payables	15	5,516,565	2,907,985
Consumer deposits	33	85,673	-
Unspent grants and receipts	14	4,274,040	6,376,511
Provisions	31	1,455,967	1,315,936
DBSA Loan (Current portion)	32	757,359	800,148
		12,692,522	**11,577,383**
Non-Current Liabilities			
Finance lease obligation	13	1,082,398	176,365
DBSA loan	32	3,236,355	4,181,074
		4,318,753	**4,357,439**
Non-Current Liabilities		4,318,753	4,357,439
Current Liabilities		12,692,522	11,577,383
Total Liabilities		**17,011,275**	**15,934,822**
Assets		75,296,109	67,135,366
Liabilities		(17,011,275)	(15,934,822)
Net Assets		**58,284,834**	**51,200,544**
Net Assets			
Accumulated Surplus		58,284,834	51,200,544

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Property rates	18	3,553,840	1,397,781
Service Charges	19	7,554,613	5,007,040
Rental of facilities and equipment		512,331	62,750
Fines		130,150	91,595
Government grants & subsidies	20	54,014,379	29,481,994
Sundry income		577,002	2,804,537
Interest received	17	262,672	187,474
Total Revenue		**66,604,987**	**39,033,171**
Expenditure			
Employee related costs	23	(15,009,557)	(14,864,289)
Remuneration of councillors	24	(4,990,786)	(3,514,916)
Depreciation and amortisation	25	(3,722,292)	(3,411,011)
Finance costs	22	(204,480)	(256,880)
Provision for bad debts		(2,313,108)	(6,083,312)
Repairs and maintenance		(786,018)	(357,695)
Bulk purchases		(7,964,442)	(5,967,045)
Grants Operational Expenditure		(15,262,512)	-
General Expenses	21	(9,267,502)	(8,100,258)
Total Expenditure		**(59,520,697)**	**(42,555,406)**
Revenue		66,604,987	39,033,171
Expenditure		(59,520,697)	(42,555,406)
Surplus (deficit) for the year		**7,084,290**	**(3,522,235)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus	Total net assets
Opening balance as previously reported	(2,162,955)	(2,162,955)
Prior Period errors	(117,711)	(117,711)
GRAP Adjustments	57,003,445	57,003,445
Balance at 01 July 2008 as restated	**54,722,779**	**54,722,779**
Changes in net assets		
Surplus for the year	(3,522,235)	(3,522,235)
Balance at 01 July 2009	**51,200,544**	**51,200,544**
Changes in net assets		
Surplus for the year	7,084,290	7,084,290
Balance at 30 June 2010	**58,284,834**	**58,284,834**

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		11,108,453	6,404,821
Grants		54,014,379	29,481,995
Interest income		262,672	187,474
Other receipts		1,219,483	2,958,882
Movement in receivables		(2,117,155)	(4,595,463)
		64,487,832	34,437,709
Payments			
Employee costs and remuneration of Councillors		(20,000,343)	(18,379,205)
Suppliers		(31,966,858)	(14,424,998)
Finance costs		204,480	256,880
Decrease in trade and other payables		(1,046,888)	409,631
		(52,809,609)	(32,137,692)
Total receipts		64,487,832	34,437,709
Total payments		(52,809,609)	(32,137,692)
Net cash flows from operating activities	27	**11,678,223**	**2,300,017**
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(6,806,055)	(43,800)
Purchase of other intangible assets	7	(3,238)	-
Purchase of investments		(6,105,914)	(3,186,591)
Finance costs		(204,480)	(256,880)
Net cash flows from investing activities		**(13,119,687)**	**(3,487,271)**
Cash flows from financing activities			
Movement in DBSA Loan		(987,508)	(974,535)
Finance lease payments		1,332,148	(132,344)
Finance costs		139,250	-
Net cash flows from financing activities		**483,890**	**(1,106,879)**
Net increase/(decrease) in cash and cash equivalents		**(957,574)**	**(2,294,133)**
Cash and cash equivalents at the beginning of the year		1,662,020	3,956,153
Cash and cash equivalents at the end of the year	12	**704,446**	**1,662,020**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with section 122(3) of the Municipal Finance Management Act, (Act No.56 of 2003). Accounting policies for material transactions,events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and 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.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the Accounting Standards Board are summarised as follows:

Standard of GRAP	
GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The effects of changes in foreign exchange rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated financial statements and accounting for controlled entities
GRAP 7	Investments in associates
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent asset
GRAP 100	Non current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash Generating Assets
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 14	The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue

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

Accounting Policies

These accounting policies are consistent with the previous period, except for the changes set out in the note in the relevant policy.

1.1 Significant judgements and sources of information

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 31 - Provisions.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30 years

Transitional provision

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 6. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and investment property has accordingly been recognised at provisional amounts, as disclosed in 6.

1.2 Investment property (continued)

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured 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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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 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.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Accounting Policies

1.3 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings	
• Office Buildings	30
Infrastructure	
• Taxi Ranks	20
• Bus Terminals and Shelters	20
• Street Lights	25
Community	
• Library	30
• Recreational Centres	30
• Sports and related grounds	30
• Outdoor sports facilities	20
• Community Halls	30
• Public Conveniences	30
Other property, plant and equipment	
• Bins and Containers	5 - 10
• Buildings	30
• Computer Equipment	5
• Computer Software (part of computer)	5
• Emergency equipment	5 - 15
• Furniture and Fittings	3 - 10
• Motor Vehciles	5
• Office Equipment	5
• Other Assets	2-30

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June 2012.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and

Accounting Policies

1.3 Property, plant and equipment (continued)
equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

Intangible assets comprise computer software and anti-virus software and are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided for intangible assets on a straight line basis over the usefule life. The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Trade and other receivables

Trade receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 150 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other payables

Trade payables are measured at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Accounting Policies

1.6 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.9 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.9 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.10 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- 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 stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.11 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

1.11 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. Revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

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

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.12 Investment income

1.12 Investment income (continued)

Interest and rentals are recognised on a time proportion basis.

1.13 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated

Accounting Policies

1.17 Irregular expenditure (continued)

accordingly in the irregular expenditure register.

1.18 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 Offsetting

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

1.21 Conditional grants and receipts

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. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.22 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice. This represents a change in accounting fromwork from IMFO.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2009 are as follows:

Statement of financial position

	2010	2009
Property, plant and equipment (Cost)		
Previously stated	-	71,625,788
Adjustment	-	(1,646,988)
	-	**69,978,800**
Property Plant and Equipment (Accumulated Depreciation)		
Adjustment	-	18,300,158
Loans redeemed and other capital receipts		
Previously stated	-	52,344,567
Adjustment	-	(52,344,567)
	-	**-**
Investment Property		
Adjustment	-	1,423,573
Accrued Bonus		
Previously stated	-	276,148
Adjustment	-	320,321
	-	**596,469**
Reserves - Unspent grants		
Previously stated	-	6,376,511
- Adjustments	-	(6,376,511)
	-	**-**
Current Liabilites - Unspent grants		
Adjustment	-	6,376,511
Statutory funds		
Previously stated	-	16,941,999
Adjustment	-	(16,941,999)
	-	**-**
Finance lease liabilities		
Adjustment	-	353,168
Finance Leased Assets (cost)		
Adjustment	-	668,406
Provisions		
Previously stated	-	1,592,084
Adjustment	-	(276,148)
	-	**1,315,936**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

2. Changes in accounting policy (continued)

Accumulated Surplus		
Previously stated- balance	-	(2,162,955)
- Prior year errors	-	(117,711)
Grap implementation adjustments	-	57,257,276
	-	**54,976,610**

Finance Leased Assets (Accumulated depreciation)		
Adjustment	-	418,740

Intangible Assets		
Adjustment	-	8,000

Intangible Assets (Accumulated amortisation)		
Adjustment	-	(8,000)

Statement of financial performance

Depreciation and Amortisation		
Adjustment	-	3,411,011

Finance costs		
Adjustment	-	256,880

3. Prior period errors

Consumer debtors were duplicated in the 2008/09 financial year.

Provision for bad debts was understated in the prior year 2008/09, This was discocered in the current year and corrected as shown below.

Councillor Debt was not raised in the prior year 2008.09, this was discovered in the current year and is corrected below.

Provision for Bonus was undertstated in the prior year 2008.09, this was discovered in the current year and is corrected below.

Payments of 2007.08 accurals incorrectly stated as expenditure for 2008.09. this was discovered in the current year and is correct below.

Unspent portion of government grant recognised as revenue in the prior year, this was discovered in the current year and corrected as shown below.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Decease in Consumer Debtors	-	738,441
Increase in Sundry Debtors	-	570,838
Increase in Provision for Bonus	-	320,321
Decrease in the Accruals	-	688,549
Increase in provision for bad debts	-	2,028,920
Increase in unspent grants in prior year	-	167,792

Statement of financial performance		
Decrease In Salary expenditure	-	688,549
Decrease in Revenue	-	738,441
Decrease in Salary expenditure for councilors	-	570,838
Other	-	320,321

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
3. Prior period errors (continued)		
Increase in expenditure	-	2,028,920
Decrease in grant revenue recognised	-	167,792

Notes to the Annual Financial Statements

4. New standards and interpretations

4.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 7 (AC 144) Financial Instruments: Disclosures

IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the municipality's financial instruments.

The effective date of the standard is for years beginning on or after 01 January 2007.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the operations of the municipality.

It is unlikely that the ammendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality does not envisage adoption of the policy until such time as it becomes appicable to the municipality's operations.

It is unlikely that the ammendment will have a material impact on the entity's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has not envisaged the adoptation of the ammendment untill such time that it becomes applicable the municipality's operations.

The impact of the amendment is not material.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directive also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the municipality receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the municipality, and the municipality can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also needs to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municiplity has adopted the standard for the first time in the 2010 annual financial statements.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the municipality would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the municipality has contravened these legislative requirements, the municipality is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directive also needs to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 July 2009.

The minucipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 16: Investment Property

Investment property includes property 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 an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

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

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

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directive also needs to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directive also needs to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 23: Revenue from Non-exchange Transactions

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. “Non-cash-generating assets” are assets other than cash-generating assets and “value in use of a non-cash-generating asset” is the present value of the asset’s remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a controlled entity acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)
rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)

4.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the munipality's accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 July 2011.

The municipality does not envisage the adoptation of the standard until sich time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of

Notes to the Annual Financial Statements

4. New standards and interpretations (continued)
Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoptation of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoptation of the standard until such time as it becomes applicable to the operations of the municipality.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

5. Property, plant and equipment

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Land	16,087,000	-	16,087,000	16,087,000	-	16,087,000
Buildings	10,902,783	(1,849,854)	9,052,929	10,902,783	(1,483,724)	9,419,059
Infrastructure	32,314,137	(12,533,323)	19,780,814	30,540,055	(10,690,595)	19,849,460
Community Assets	4,932,048	(1,578,599)	3,353,449	4,932,048	(1,384,190)	3,547,858
Other property, plant and equipment	9,970,364	(5,071,249)	4,899,115	6,848,508	(4,322,909)	2,525,599
Finance lease assets	2,045,917	(483,545)	1,562,372	668,406	(418,740)	249,666
Total	**76,252,249**	**(21,516,570)**	**54,735,679**	**69,978,800**	**(18,300,158)**	**51,678,642**

Reconciliation of property, plant and equipment - 2010

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land	16,087,000	-	-	-	16,087,000
Buildings	9,419,059	-	-	(366,130)	9,052,929
Infrastructure	19,849,460	1,774,082	-	(1,842,728)	19,780,814
Community Assets	3,547,858	-	-	(194,409)	3,353,449
Other property plant and equipment	2,525,599	3,121,856	-	(748,340)	4,899,115
Finance lease Assets	249,666	1,910,117	(90,279)	(507,132)	1,562,372
	51,678,642	**6,806,055**	**(90,279)**	**(3,658,739)**	**54,735,679**

Reconciliation of property, plant and equipment - 2009

	Opening balance	**Additions**	**Depreciation**	**Total**
Land	16,087,000	-	-	16,087,000
Buildings	9,785,189	-	(366,130)	9,419,059
Infrastructure	21,633,582	-	(1,784,122)	19,849,460
Community Assets	3,742,268	-	(194,410)	3,547,858
Other property, plant and equipment	3,362,405	43,800	(880,606)	2,525,599
Finance lease assets	383,348	-	(133,682)	249,666
	54,993,792	**43,800**	**(3,358,950)**	**51,678,642**

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain property, plant and equipment with a carrying value of R 49,961,470 (2009: R 51,636,035) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are:

Figures in Rand	2010	2009

5. Property, plant and equipment (continued)

Due to initial adoption of GRAP 17

Land	16,087,000	16,087,000
Buildings	9,052,929	9,419,059
Infrastructure	30,540,055	19,849,460
Community Assets	4,932,048	3,547,858
Other property, plant and equipment	6,848,508	2,525,599
Finance lease assets	668,406	249,666

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The Municipality is in the process of appointing suitably qualified consultants to perform a complete valuation of all assets during the next financial year.

The date at which full compliance with GRAP 17 is expected is 30 June 2012.

6. Investment property

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	1,999,640	(638,722)	1,360,918	1,999,640	(576,067)	1,423,573

Reconciliation of investment property - 2010

	Opening balance	**Depreciation**	**Total**
Investment property	1,423,573	(62,655)	1,360,918

Reconciliation of investment property - 2009

	Opening balance	**Depreciation**	**Total**
Investment property	1,475,634	(52,061)	1,423,573

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain investment property with a carrying value of R 1,360,918 (2009: R 1,423,573) was recognised at provisional amounts. Carrying amounts of investment property carried at provisional amounts are as follows:

Due to initial adoption of GRAP 16

Investment property	1,360,918	1,423,573

Steps taken to establish the values of investment property recognised at provisional amounts due to the initial adoption of GRAP 16, is as follows:

Provisional amounts retrospectively adjusted during the year, are as follows (refer to note 2 for effect on the annual financial statements:

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

6. Investment property (continued)

The date at which full compliance with GRAP 16 is expected, is 30 June 2012.

7. Intangible assets

	2010			2009		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software, other	11,238	(8,899)	2,339	8,000	(8,000)	-

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	-	3,238	(899)	2,339

Reconciliation of intangible assets - 2009

	Opening balance	Amortisation	Total
Computer software, other	8,000	(8,000)	-

8. Inventories

	2010	2009
Consumable stores	211,109	-

Inventory is carried at the lower of cost or net realisable value.

9. Trade and other receivables

	2010	2009
Other debtors	866,085	818,048

10. VAT receivable

	2010	2009
Value Added Tax	964,487	3,442,409

VAT is payable on a receipt basis. Only once payment is received from a debtor is VAT paid over to SARS.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

11. Consumer debtors

Gross balances		
Rates	5,513,711	4,071,281
Electricity	3,800,742	4,177,111
Refuse	6,377,707	2,896,728
	15,692,160	**11,145,120**
Less: Provision for debt impairment		
Rates	(3,282,483)	(2,477,135)
Electricity	(2,262,699)	(2,766,202)
Refuse	(3,796,846)	(1,785,583)
	(9,342,028)	**(7,028,920)**
Net balance		
Rates	2,231,228	1,594,146
Electricity	1,538,043	1,410,909
Refuse	2,581,386	1,111,144
	6,350,657	**4,116,199**
Rates		
Current (0 -30 days)	432,785	121,801
31 - 60 days	77,302	129,892
61 - 90 days	106,711	118,101
91 - 120 days	427,136	132,750
121 - 365 days	1,996,008	134,798
> 365 days	2,473,769	3,433,939
	5,513,711	**4,071,281**
Electricity		
Current (0 -30 days)	406,112	110,693
31 - 60 days	277,344	87,042
61 - 90 days	196,609	385,172
91 - 120 days	271,623	(966)
121 - 365 days	963,292	200,261
> 365 days	1,685,762	3,394,909
	3,800,742	**4,177,111**
Refuse		
Current (0 -30 days)	350,403	93,724
31 - 60 days	239,692	102,356
61 - 90 days	220,318	104,110
91 - 120 days	229,972	103,174
121 - 365 days	2,510,451	103,008
> 365 days	2,826,871	2,390,356
	6,377,707	**2,896,728**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	446,672	54,977
31 - 60 days	323,440	73,900
61 - 90 days	219,536	74,210
91 - 120 days	372,353	73,273
121 - 365 days	3,217,887	613,074
> 365 days	1,509,632	1,515,926

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

11. Consumer debtors (continued)

	2010	2009
	6,089,520	**2,405,360**
Industrial/ commercial		
Current (0 -30 days)	560,367	105,620
31 - 60 days	133,368	79,358
61 - 90 days	82,716	361,395
91 - 120 days	188,479	-
121 - 365 days	350,905	819,726
> 365 days	2,318,671	2,245,561
	3,634,506	**3,611,660**
National and provincial government		
Current (0 -30 days)	560,938	165,622
31 - 60 days	228,214	166,032
61 - 90 days	223,311	167,007
91 - 120 days	402,970	166,455
121 - 365 days	1,394,603	1,195,552
> 365 days	3,158,098	3,267,433
	5,968,134	**5,128,101**
Total		
Current (0 -30 days)	1,567,977	326,218
31 - 60 days	685,022	319,290
61 - 90 days	525,562	607,382
91 - 120 days	963,802	234,958
121 - 365 days	4,963,920	2,628,352
> 365 days	6,986,401	7,028,920
	15,692,684	11,145,120
Less: Provision for debt impairment	(9,342,028)	(7,028,920)
	6,350,656	**4,116,200**

Reconciliation of provision for impairment of consumer debtors

	2010	2009
Opening balance	7,028,920	945,608
Provision for impairment	2,313,108	6,083,312
	9,342,028	**7,028,920**

Figures in Rand	2010	2009

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	704,446	1,662,020

The Municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
ABSA BANK - Cheque - 4053562762	757,111	1,613,583	404,348	656,010	1,613,583	404,348
ABSA BANK - Cheque Account - 4061817353	47,260	48,436	51,254	48,436	48,436	51,254
Total	**804,371**	**1,662,019**	**455,602**	**704,446**	**1,662,019**	**455,602**

13. Finance lease obligation

Minimum lease payments due		
- within one year	813,237	223,085
- in second to fifth year inclusive	1,208,925	203,685
	2,022,162	426,770
less: future finance charges	(336,846)	(73,602)
Present value of minimum lease payments	**1,685,316**	**353,168**

Present value of minimum lease payments due		
- within one year	602,918	176,803
- in second to fifth year inclusive	1,082,398	176,365
	1,685,316	**353,168**

Non-current liabilities	1,082,398	176,365
Current liabilities	602,918	176,803
	1,685,316	**353,168**

The average lease term was 3 years and the average effective borrowing rate was 12% (2009: 12%).

Interest rates are fixed at the contract date. All leases escalate at between 10% and 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets.

14. Unspent grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Unspent conditionl grants	4,274,040	6,376,511

15. Trade and other payables

Trade payables	4,729,938	2,311,520
Other payables	32,899	-
Accrued bonus	753,728	596,465
	5,516,565	**2,907,985**

16. Revenue

16. Revenue (continued)

	2010	2009
Property rates	3,553,840	1,397,781
Service Charges	7,554,613	5,007,040
Rental of facilities & equipment	512,331	62,750
Fines	130,150	91,595
Government grants & subsidies	54,014,379	29,314,203
Other income	577,002	2,804,537
	66,342,315	**38,677,906**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2010	2009
Service charges	7,554,613	5,007,040
Rental of facilities & equipment	512,331	95,791
	8,066,944	**5,102,831**

The amount included in revenue arising from non-exchange transactions is as follows:

	2010	2009
Property rates	3,553,840	1,397,781
Fines	130,150	91,595
Government grants & subsidies	54,014,379	29,314,203
Other income	577,002	2,958,970
	58,275,371	**33,762,549**

17. Investment revenue

Interest revenue

	2010	2009
Investments	159,385	187,474
Bank	103,287	-
	262,672	**187,474**

18. Property rates

Rates received

	2010	2009
Property rates	3,553,840	1,397,781

The market value of the rates came into effect on 1 July 2009. Previously there was a fixed rate of R50 on all properties.

Valuations

	2010	2009
Residential	321,583,000	-
Commercial	231,798,000	-
State	340,706,000	-
Municipal	25,432,000	-
	919,519,000	**-**

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Different rate randage are charged for different categories of rate payers. No additional rebates were granted to any categories of ratepayers except for the compulsory phasing in of certain rates as contained in the Councill's approved Property Rating Policy.

Rates are levied on a monthly basis in 12 equal installments payable on the 15th of the subsequent month. No interest and collection charges are levied on outstanding rates accounts.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

19. Service charges

Sale of electricity	5,000,417	3,721,990
Refuse removal	2,554,196	1,285,050
	7,554,613	**5,007,040**

20. Government grants and subsidies

Equitable share	36,894,760	29,307,478
Conditional and other grants	17,119,619	174,516
	54,014,379	**29,481,994**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Conditional and other grants

Balance unspent at beginning of year	6,376,511	7,228,336
Current-year receipts	21,345,374	-
Conditions met - transferred to revenue	(23,447,845)	(851,825)
	4,274,040	**6,376,511**

Conditions still to be met - remain liabilities (see note 14)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

21. General expenses

Advertising	142,968	95,879
Auditors remuneration	787,355	345,452
Bank charges	70,733	38,444
Cleaning	12,215	-
Consulting and professional fees	1,241,572	2,174,532
Consumables	833,747	194,401
Entertainment	41,052	40,227
Insurance	180,099	1,434
IT expenses	2,900	12,747
Promotions and sponsorships	15,135	-
Fuel and oil	396,545	336,354
Printing and stationery	322,157	398,120
Security (Guarding of municipal property)	577,413	689,648
Software expenses	51,584	93,112
Subscriptions and membership fees	297,155	-
Telephone and fax	458,911	789,086
Training	55,199	11,015
Uniforms	97,300	2,789
Administrative expenses	-	407
Other expenses	3,683,462	2,876,611
	9,267,502	**8,100,258**

22. Finance costs

Finance leases	204,480	256,880

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

23. Employee related costs

Basic	10,653,345	9,919,166
Bonus	961,143	1,667,424
Medical aid - Municipality contributions	395,748	294,443
UIF	102,356	123,013
SDL	104,512	37,846
Leave pay provision charge	140,031	-
Group life insurance	20,394	-
Post-employment benefits	1,198,211	1,079,862
Travel, motor car, accommodation, subsistence and other allowances	-	287,801
Overtime payments	68,910	73,088
Travel allowance	1,060,832	1,081,449
Housing benefits and allowances	197,685	28,161
Telephone, cell allowances	16,473	267,209
Industrial council	79,887	4,827
Leave	10,030	-
	15,009,557	**14,864,289**

Remuneration of municipal manager

Annual Remuneration	731,720	675,641
Travel, car, acommodation, subsistence and other allowance	90,123	-
Performance and other bonuses	-	84,455
Contributions to UIF, Medical and Pension Funds	8,660	-
	830,503	**760,096**

Remuneration of chief finance officer

Annual Remuneration	541,218	497,580
Travel, car, acommodation, subsistence and other allowance	75,097	-
Performance Bonuses	-	62,197
Contributions to UIF, Medical and Pension Funds	6,447	-
	622,762	**559,777**

Corporate services

Annual Remuneration	580,727	536,221
Travel, car, acommodation, subsistence and other allowance	64,355	-
Performance Bonuses	-	67,027
Contributions to UIF, Medical and Pension Funds	7,116	-
	652,198	**603,248**

Technical services

Annual Remuneration	304,464	499,740
Travel, car, acommodation, subsistence and other allowance	11,132	-
Performance Bonuses	-	62,467
Contributions to UIF, Medical and Pension Funds	3,598	-
	319,194	**562,207**

Development Planning and Housing

Annual Remuneration	541,218	124,935
Travel, car, acommodation, subsistence and other allowance	106,924	-
Contributions to UIF, Medical and Pension Funds	6,808	-
	654,950	**124,935**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

23. Employee related costs (continued)

24. Remuneration of councillors

	2010	2009
Mayor	154,908	200,667
Deputy Mayor	237,098	130,817
Speaker	179,998	187,242
Executive committee	774,141	658,510
Councillors	3,588,829	2,127,132
Councillors' allowances	55,812	210,548
	4,990,786	**3,514,916**

In-kind benefits

The Mayor, Deputy Mayor, Speaker are part-time. Each is provided with an office and the Mayor is provided with secretarial support at the cost of the Council.

The Mayor has the use of separate Council owned vehicle for official duties.

The Mayor has 1 driver.

25. Depreciation and amortisation

	2010	2009
Property, plant and equipment	3,721,393	3,411,011
Intangible assets	899	-
	3,722,292	**3,411,011**

26. Auditors' remuneration

	2010	2009
Fees	787,355	345,452

27. Cash generated from operations

	2010	2009
Surplus (deficit)	7,084,290	(3,522,235)
Adjustments for:		
Depreciation and amortisation	3,722,292	3,411,011
Finance costs	204,480	256,880
Provision for doubtful debts	2,313,108	6,083,312
Movements in provisions - Leave & Bonus	297,294	209,035
Changes in working capital:		
Inventories	(211,109)	-
Other receivables	(48,037)	(805,856)
Consumer debtors	(4,547,040)	(2,669,841)
Trade and other payables	2,451,318	1,753,368
VAT	2,477,922	(1,119,766)
Unspent grants and receipts	(2,270,263)	(851,825)
Consumer deposits	85,673	(491,912)
Adjustment due to GRAP conversion	118,295	47,846
	11,678,223	**2,300,017**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

28. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

29. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	-	123,678
Current year subscription / fee	787,355	345,452
Amount paid - current year	(787,355)	(345,452)
Amount paid - previous years	-	(123,678)
	-	**-**

PAYE and UIF

Current year payroll deductions	2,474,260	2,183,915
Amount paid - current year	(2,474,260)	(2,183,915)
	-	**-**

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	3,123,626	2,634,439
Amount paid - current year	(3,123,626)	(2,634,439)
	-	**-**

VAT

VAT receivable	964,487	3,442,409

VAT output payables and VAT input receivables are shown in note 10.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
V.B. Ntombela	58	-	58
GJG Mncube	867	-	867
TC Njoko	1,093	-	1,093
NN Khanyile	1,343	-	1,343
	3,361	**-**	**3,361**

30 June 2009	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
TC Njoko	-	13,011	13,011
GJG Mncube	-	8,386	8,386
V.B. Ntombela	2,917	-	2,917
NN Khanyile	1,003	-	1,003

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

29. Additional disclosure in terms of Municipal Finance Management Act (continued)

	3,920	**21,397**	**25,317**

30. Investments

	2010	2009
ABSA call Account number 9142845014	10,098,932	3,993,018
ABSA Call Account - 9168827648	1,457	1,457
	10,100,389	**3,994,475**

31. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Leave pay Provision	1,315,936	257,028	(116,997)	1,455,967

Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Leave pay provision	1,075,909	316,396	(76,369)	1,315,936

32. DBSA loan

Refer to Appendix A for the reconciliation of external loans.

	2010	2009
DBSA Loan - account number 100524/2	2,560,277	3,386,630
DBSA Loan - account number 100524/3	1,433,437	1,594,591
Less - Current Portion of DBSA Loans	(757,359)	(800,148)
	3,236,355	**4,181,073**

33. Consumer deposits

	2010	2009
Electricity	85,673	-

34. Commitments

Authorised capital expenditure

Already contracted for and provided for

	2010	2009
• Property, plant and equipment	26,521,571	-

This committed expenditure relates to plant and equipment and will be financed by unspent infrustructure grands.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

35. Contingencies

The Municipality has the follwing contingent liabilities:

Litigation is in the process against the municipality relating to a dispute with an ex-staff member who is claiming accumulated leave of approximately R308 000, 00 together with interest of 15, 5 %. The matter is still under litgation.

The ex-staff member has referred an application for review to the labour court claiming he was unfairly dismissed.The matter is still under litgation.

A supplier instituted action in the High Court claiming approximately R2 500 000 plus interest. The municipality has raised a counterclaim of R750 000, 00. The supplier's claim is contrary to the agreed contract with the municipality and the matter is still under litgation.

36. Material Losses

Electrictiy losses

	kWh	R
Purchased	18,624,000	7,926,649
Sold	(6,440,581)	(6,831,859)
Own consumption	(45,180)	(32,963)
Material losses	**12,138,239**	**1,061,827**

The municipality is licensed by the National Electricity Regulator of South Africa (NERSA) to supply electricity in the urban area.

The municipality is in the process of investigating the cause of the unaccounted units.

Notes to the Annual Financial Statements

Figures in Rand

37. Statement of comparative and actual information

2010

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance									
Property rates	3,276,000	3,276,000		3,276,000	3,553,840		(277,840)	108 %	108 %
Service charges	2,574,000	2,574,000		2,574,000	7,554,613		(4,980,613)	293 %	293 %
Investment revenue	200,000	200,000		200,000	262,672		(62,672)	131 %	131 %
Transfers recognised - operational	54,369,000	54,369,000		54,369,000	54,014,379		354,621	99 %	99 %
Other own revenue	168,000	168,000		168,000	1,219,483		(1,051,483)	726 %	726 %
Total revenue (excluding capital transfers and contributions)	**60,587,000**	**60,587,000**		**60,587,000**	**66,604,987**		**(6,017,987)**	**110 %**	**110 %**
Employee costs	(15,447,810)	(15,447,810)	-	(15,447,810)	(15,009,557)	-	(438,253)	97 %	97 %
Remuneration of councillors	(5,013,230)	(5,013,230)	-	(5,013,230)	(4,990,786)	-	(22,444)	100 %	100 %
Debt impairment	-	-		-	(2,313,108)	-	2,313,108	- %	DIV/0 %
Depreciation and asset impairment	(4,030,997)	(4,030,997)		(4,030,997)	(3,722,292)	-	(308,705)	92 %	92 %
Finance charges	-	-	-	-	(204,480)	-	204,480	DIV/0 %	DIV/0 %
Bulk purchases	(7,363,538)	(7,363,538)	-	(7,363,538)	(7,964,442)	-	600,904	108 %	108 %
Transfers and grants	(17,592,000)	(17,592,000)	-	(17,592,000)	(15,262,512)	-	(2,329,488)	87 %	87 %
Other expenditure	(13,664,626)	(13,664,626)	-	(13,664,626)	(10,053,520)	-	(3,611,106)	74 %	74 %
Total expenditure	**(63,112,201)**	**(63,112,201)**	**-**	**(63,112,201)**	**(59,520,697)**	**-**	**(3,591,504)**	**94 %**	**94 %**
Total revenue (excluding capital transfers and contributions)	60,587,000	60,587,000	-	60,587,000	66,604,987	-	(6,017,987)	110 %	110 %
Total expenditure	(63,112,201)	(63,112,201)	-	(63,112,201)	(59,520,697)	-	(3,591,504)	94 %	94 %
Surplus/(Deficit)	**(2,525,201)**	**(2,525,201)**		**(2,525,201)**	**7,084,290**		**(9,609,491)**	**(281)%**	**(281)%**

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Surplus/(Deficit)	(2,525,201)	(2,525,201)	-	(2,525,201)	7,084,290	-	(9,609,491)	(281)%	(281)%
Surplus (Deficit) after capital transfers and contributions	(2,525,201)	(2,525,201)	-	(2,525,201)	7,084,290	-	(9,609,491)	(281)%	(281)%
Surplus/(Deficit) for the year	**(2,525,201)**	**(2,525,201)**		**(2,525,201)**	**7,084,290**		**(9,609,491)**	**(281)%**	**(281)%**

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Appendix A

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance as at June 30, 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance as at June 30, 2010 Rand	Carrying Value of Property, Plant & Equip Rand
Development Bank of South Africa							
DBSA LOAN @ 1%	100524/2	December 2014	3,386,630	-	826,353	2,560,277	1,604,137
DBSA LOAN @ 5%	100524/3	January 2016	1,594,591	-	161,154	1,433,437	6,330,266
			4,981,221	**-**	**987,507**	**3,993,714**	**7,934,403**

Supplementary Information

Appendix B: Analysis of property, plant and equipment

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	16,087,000	-	-	-	-	**-**	**16,087,000**	-	-	-	-	-	**-**	16,087,000
Buildings (Separate for AFS purposes)	10,902,783	-	-	-	-	**-**	**10,902,783**	(1,483,724)	-	-	(366,130)	-	**(1,849,854)**	9,052,929
	26,989,783	**-**	**-**	**-**	**-**	**-**	**26,989,783**	**(1,483,724)**	**-**	**-**	**(366,130)**	**-**	**(1,849,854)**	**25,139,929**
Infrastructure														
Roads, Pavements & Bridges	22,883,278	1,545,444	-	-	-	**-**	**24,428,722**	(6,503,265)	-	-	(1,450,619)	-	**(7,953,884)**	16,474,838
Storm water	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Electricity	7,656,778	228,638	-	-	-	**-**	**7,885,416**	(4,187,330)	-	-	(392,109)	-	**(4,579,439)**	3,305,977
	30,540,056	**1,774,082**	**-**	**-**	**-**	**-**	**32,314,138**	**(10,690,595)**	**-**	**-**	**(1,842,728)**	**-**	**(12,533,323)**	**19,780,815**
Community Assets														
Refuse sites	1,800,466	-	-	-	-	**-**	**1,800,466**	(973,595)	-	-	(90,023)	-	**(1,063,618)**	736,848
Sportsfields and stadium	1,498,819	-	-	-	-	**-**	**1,498,819**	(240,496)	-	-	(49,961)	-	**(290,457)**	1,208,362
Care Centre	266,668	-	-	-	-	**-**	**266,668**	(12,128)	-	-	(8,889)	-	**(21,017)**	245,651
Community halls	161,914	-	-	-	-	**-**	**161,914**	(6,403)	-	-	(5,397)	-	**(11,800)**	150,114
Libraries	112,000	-	-	-	-	**-**	**112,000**	(12,397)	-	-	(3,733)	-	**(16,130)**	95,870
Cemeteries	1,092,182	-	-	-	-	**-**	**1,092,182**	(139,171)	-	-	(36,406)	-	**(175,577)**	916,605
	4,932,049	**-**	**-**	**-**	**-**	**-**	**4,932,049**	**(1,384,190)**	**-**	**-**	**(194,409)**	**-**	**(1,578,599)**	**3,353,450**

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Office equipment	1,082,890	300	-	-	-	-	**1,083,190**	(699,781)	-	-	(163,704)	-	**(863,485)**	219,705
Furniture and fittings	596,439	88,704	-	-	-	-	**685,143**	(263,151)	-	-	(65,492)	-	**(328,643)**	356,500
Bins and containers	5,594	-	-	-	-	-	**5,594**	(5,594)	-	-	-	-	**(5,594)**	-
Emergency equipment	15,150	-	-	-	-	-	**15,150**	(8,086)	-	-	(1,010)	-	**(9,096)**	6,054
Motor Vehicles	3,253,452	109,113	-	-	-	-	**3,362,565**	(2,299,880)	-	-	(270,234)	-	**(2,570,114)**	792,451
Plant and machinery	1,894,984	2,675,248	-	-	-	-	**4,570,232**	(1,046,418)	-	-	(223,657)	-	**(1,270,075)**	3,300,157
Security	-	9,500	-	-	-	-	**9,500**	-	-	-	(713)	-	**(713)**	8,787
Computer Equipment	-	238,991	-	-	-	-	**238,991**	-	-	-	(23,531)	-	**(23,531)**	215,460
Other Assets - Leased	383,348	1,910,117	(90,280)	-	-	-	**2,203,185**	(133,681)	-	-	(507,132)	-	**(640,813)**	1,562,372
	7,231,857	**5,031,973**	**(90,280)**	**-**	**-**	**-**	**12,173,550**	**(4,456,591)**	**-**	**-**	**(1,255,473)**	**-**	**(5,712,064)**	**6,461,486**
Total property plant and equipment														
Land and buildings	26,989,783	-	-	-	-	-	**26,989,783**	(1,483,724)	-	-	(366,130)	-	**(1,849,854)**	25,139,929
Infrastructure	30,540,056	1,774,082	-	-	-	-	**32,314,138**	(10,690,595)	-	-	(1,842,728)	-	**(12,533,323)**	19,780,815
Community Assets	4,932,049	-	-	-	-	-	**4,932,049**	(1,384,190)	-	-	(194,409)	-	**(1,578,599)**	3,353,450
Heritage assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	7,231,857	5,031,973	(90,280)	-	-	-	**12,173,550**	(4,456,591)	-	-	(1,255,473)	-	**(5,712,064)**	6,461,486
	69,693,745	**6,806,055**	**(90,280)**	**-**	**-**	**-**	**76,409,520**	**(18,015,100)**	**-**	**-**	**(3,658,740)**	**-**	**(21,673,840)**	**54,735,680**
Intangible assets														
Computers - software & programming	8,000	3,238	-	-	-	-	**11,238**	(8,000)	-	-	(899)	-	**(8,899)**	2,339
Other	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	8,000	**3,238**	**-**	**-**	**-**	**-**	**11,238**	**(8,000)**	**-**	**-**	**(899)**	**-**	**(8,899)**	**2,339**
Investment properties														
Investment property	1,999,640	-	-	-	-	-	**1,999,640**	(576,067)	-	-	(62,655)	-	**(638,722)**	1,360,918
	1,999,640	**-**	**-**	**-**	**-**	**-**	**1,999,640**	**(576,067)**	**-**	**-**	**(62,655)**	**-**	**(638,722)**	**1,360,918**
Total														
Land and buildings	26,989,783	-	-	-	-	-	**26,989,783**	(1,483,724)	-	-	(366,130)	-	**(1,849,854)**	25,139,929
Infrastructure	30,540,056	1,774,082	-	-	-	-	**32,314,138**	(10,690,595)	-	-	(1,842,728)	-	**(12,533,323)**	19,780,815
Community Assets	4,932,049	-	-	-	-	-	**4,932,049**	(1,384,190)	-	-	(194,409)	-	**(1,578,599)**	3,353,450
Heritage assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Other assets	7,231,857	5,031,973	(90,280)	-	-	-	**12,173,550**	(4,456,591)	-	-	(1,255,473)	-	**(5,712,064)**	6,461,486
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Agricultural/Biological assets	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
Intangible assets	8,000	3,238	-	-	-	-	**11,238**	(8,000)	-	-	(899)	-	**(8,899)**	2,339
Investment properties	1,999,640	-	-	-	-	-	**1,999,640**	(576,067)	-	-	(62,655)	-	**(638,722)**	1,360,918
	71,701,385	**6,809,293**	**(90,280)**	**-**	**-**	**-**	**78,420,398**	**(18,599,167)**	**-**	**-**	**(3,722,294)**	**-**	**(22,321,461)**	**56,098,937**

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	8,455,355	-	-	-	-	**-**	**8,455,355**	(4,876,728)	-	-	(476,285)	-	**(5,353,013)**	3,102,342
Finance & Admin/Finance	6,860,620	2,752,457	(90,280)	-	-	**-**	**9,522,797**	(1,964,566)	-	-	(778,629)	-	**(2,743,195)**	6,779,602
Planning and Development/Economic Development/Plan	42,264,739	4,056,837	-	-	-	**-**	**46,321,576**	(4,932,304)	-	-	(1,797,553)	-	**(6,729,857)**	39,591,719
Civil defence services	3,596,649	-	-	-	-	**-**	**3,596,649**	(650,063)	-	-	(169,973)	-	**(820,036)**	2,776,613
Comm. & Social/Libraries and archives	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Works	10,524,019	-	-	-	-	**-**	**10,524,019**	(6,175,503)	-	-	(499,855)	-	**(6,675,358)**	3,848,661
	71,701,382	**6,809,294**	**(90,280)**	**-**	**-**	**-**	**78,420,396**	**(18,599,164)**	**-**	**-**	**(3,722,295)**	**-**	**(22,321,459)**	**56,098,937**
Total														
Municipality	71,701,382	6,809,294	(90,280)	-	-	**-**	**78,420,396**	(18,599,164)	-	-	(3,722,295)	-	**(22,321,459)**	56,098,937
	71,701,382	**6,809,294**	**(90,280)**	**-**	**-**	**-**	**78,420,396**	**(18,599,164)**	**-**	**-**	**(3,722,295)**	**-**	**(22,321,459)**	**56,098,937**