Planning by	Reviewed	Performed by	Final review

Client details

Client name: Nketoana Local Municipality
Year end: 30 June 2011

File details

Ver No: 2010.10.03
File name: Nketoana 2011.1
Doc name: Nketoana 2011.1FSNG0000ZAFS.cvw
File path C:\PROGRAM FILES\CASEWARE\DATA\NKETOANA 2011.1\
Last update: 32
Builder mode has been entered

Balance Check

			Controlling entity 2011	Controlling entity 2010
	Statement of financial position balances			
	Cash flow statement balances			
	Net Surplus per the Statement of financial performance does not agree with the NETINC account	Diff	4	(2)
	Opening Accumulated Surplus (deficit) does not match the closing balance for the prior year	Diff	231 000	(989 932 080)

Print details

Printed by sup
Date printed 2011/08/31 15:59

NKETOANA LOCAL MUNICIPALITY

(REGISTRATION NUMBER :DEMARCATION NUMBER:FS 193)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Providing municipal service and maintain the best interests of the local community mainly in the Reitz area.
Mayoral committee	New councillors - (Term started) 18 May 2011
	M. Molapisi (Mayor)
Councillors	P. Nkomo (Speaker)
	M. Malindi (Executive Member)
	M. Mphaka (Executive member)
	M. Blignaut (Executive member)
	M. Moloedi (Executive member)
	G. Nhlapho
	P. Mofokeng
	T. Radebe
	M. Nakedi
	M. Mosia
	M. Semela
	K. Mokoena
	N. Shabalala
	P. Sibeko
	P. Moshoadiba
	S. Du Preez
	S. Henning
	Old Councillor - (Term ended) 18 May 2011
	M. Mamba (Mayor)
	M. Molapisi (Speaker)
	L. Moloi (Executive member)
	M. Mokoena (Executive member)
	P. Nkomo (Executive member)
	B. Peter (Executive member)
	M. Blignaut (Executive member)
	N. Molawa
	J. Msimanga
	S. Henning
	T. Zwane
	L. Masoka
	A. Fume
	M. Moloedi
	J. Venter
	M. Malindi
	K. Monyatsi
	K.Mnguni

General Information

Grading of local authority	Meduim Capacity Grade 3 in terms of the Remuneration of Public Office Bearers Act.
Accounting Officer	SJ Thomas
Chief Finance Officer (CFO)	V Mkhefa
Registered office	Corner Church and Voortrekker Reitz 9810
Business address	Corner Church and Voortrekker Reitz 9810
Postal address	P.O. Box 26 Reitz 9810
Bankers	ABSA (Primary bank)
Auditors	Office of the Auditor-General South Africa

Index

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

Contents

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
HDF	Housing Development Fund
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 accounting officer 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 2012 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 page 6.

The annual financial statements set out on pages 6 to 64, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Accounting Officer
S.J Thomas

Nketoana Local Municipality
Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	6	164 144	483 267
Trade and other receivables from exchange transactions	7	4 379 554	4 047 282
Consumer debtors	8	41 863 246	48 550 656
Cash and cash equivalents	9	10 154 958	14 880 530
		56 561 902	**67 961 735**
Non-Current Assets			
Investment property	2	3 550 000	3 550 000
Property, plant and equipment	3	1 105 929 141	1 074 187 607
Intangible assets	4	141 484	25 962
Investments	5	3 619 980	3 451 746
		1 113 240 605	**1 081 215 315**
Total Assets		**1 169 802 507**	**1 149 177 050**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	15 313 032	8 442 322
VAT payable	14	13 194 624	10 595 905
Consumer deposits	15	1 172 068	1 186 822
Unspent conditional grants and receipts	11	944 802	2 254 484
Other financial liabilities		1 225 409	1 464 317
Current portion of Non-Current Borrowings		356 332	202 109
		32 206 267	**24 145 959**
Non-Current Liabilities			
Non-Current Borrowings	10	9 472 849	9 951 618
Provisions	12	3 542 327	-
		13 015 176	**9 951 618**
Total Liabilities		**45 221 443**	**34 097 577**
Net Assets		**1 124 581 064**	**1 115 079 473**
Net Assets			
Reserves			
Capital replacement reserve		13 823 387	13 823 387
Government grant reserve		76 927 045	56 867 580
Accumulated surplus		1 033 830 632	1 044 388 506
Total Net Assets		**1 124 581 064**	**1 115 079 473**

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue from exchange transactions			
Property rates	16	10 681 610	15 761 300
Service charges	17	70 169 845	58 794 423
Rental of facilities and equipment		237 667	516 970
Interest received (trading)		8 262 230	11 503 517
Revenue from non-exchange transactions			
Fines		201 569	153 231
Government grants & subsidies	18	84 491 025	81 610 348
Other income		4 335 250	2 069 151
Interest received - investment	23	1 312 364	1 626 587
Total Revenue		**179 691 560**	**172 035 527**
Expenditure			
Personnel	21	(38 573 965)	(37 490 984)
Remuneration of councillors	22	(4 680 649)	(4 151 716)
Finance costs	24	(1 018 119)	(1 049 261)
Debt impairment		(50 593 628)	(2 503 998)
Repairs and maintenance		(10 081 089)	(6 061 981)
Bulk purchases	26	(19 531 506)	(13 158 274)
Grants and subsidies paid		(14 273 512)	(13 730 685)
General Expenses	19	(31 668 503)	(42 596 313)
Total Expenditure		**(170 420 971)**	**(120 743 212)**
Loss on disposal of assets and liabilities		-	(4 734 059)
Surplus for the year		**9 270 589**	**46 558 256**

Statement of Changes in Net Assets

Figures in Rand	Capital replacement reserve	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2009	-	-	-	-	-
Changes in net assets					
Net assets	13 823 387	26 922 402	40 745 789	329 358 901	370 104 690
Other items	-	-	-	2 269 044	2 269 044
Implementation of GRAP 17	-	-	-	692 198 398	692 198 398
Net income (losses) recognised directly in net assets	13 823 387	26 922 402	40 745 789	1 023 826 343	1 064 572 132
Surplus for the year	-	-	-	46 558 256	46 558 256
Total recognised income and expenses for the year	13 823 387	26 922 402	40 745 789	1 070 384 599	1 111 130 388
Transfer to/from accumulated surplus/defict to goverment reserve	-	29 945 178	29 945 178	(29 945 178)	-
Fundamental errors affecting net assets	-	-	-	3 949 085	3 949 085
Total changes	13 823 387	56 867 580	70 690 967	1 044 388 506	1 115 079 473
Restated Opening balance after adjusment of fundamental error Adjustments	13 823 387	56 867 580	70 690 967	1 044 388 508	1 115 079 475
Prior year adjustments	-	-	-	231 000	231 000
Total	13 823 387	56 867 580	70 690 967	1 044 619 508	1 115 310 475
Changes in net assets					
Surplus for the year	-	-	-	9 270 589	9 270 589
Transfer to/from accumulated surplus/defict to goverment reserve	-	20 059 465	20 059 465	(20 059 465)	-
Total changes	-	20 059 465	20 059 465	(10 788 876)	9 270 589
Balance at 30 June 2011	13 823 387	76 927 045	90 750 432	1 033 830 632	1 124 581 064

Note(s)

Cash flow statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		47 722 590	42 790 860
Grants		83 918 830	75 241 885
Interest income		1 312 364	1 565 653
Other receipts		4 210 644	2 802 117
		137 164 428	122 400 515
Payments			
Employee costs		(43 694 995)	(42 505 255)
Suppliers		(64 588 142)	(76 147 217)
Finance costs		(1 018 119)	(1 049 261)
		(109 301 256)	(119 701 733)
Net cash flows from operating activities	27	**27 863 172**	**2 698 782**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(31 741 534)	(35 643 794)
Proceeds from sale of property, plant and equipment	3	-	685 214
Purchase of other intangible assets	4	(115 522)	(10 000)
Proceeds from sale of financial assets		(168 234)	5 525 942
Net cash flows from investing activities		**(32 025 290)**	**(29 442 638)**
Cash flows from financing activities			
Repayment of non-current borrowings		(478 769)	-
Movement in other financial liabilities		(238 908)	968 810
Repayment of borrowings		154 223	202 109
Increase in consumer deposits		-	65 415
Net cash flows from financing activities		**(563 454)**	**1 236 334**
Net increase/(decrease) in cash and cash equivalents		**(4 725 572)**	**(25 507 522)**
Cash and cash equivalents at the beginning of the year		14 880 530	40 388 052
Cash and cash equivalents at the end of the year	9	**10 154 958**	**14 880 530**

1. Reporting municipality

Nketoana Local Municipality ("the municipality") is a local goverment institution in Reitz town in the Thabo Mfutsanyana district, Free State Province. Its principal activities and the address of its principal place of business and are disclosed under "General Information" in the annual report.

Presentation of annual financial statements

Statement of Compliance

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

1.2 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP Standards have been approved and not yet effective and have not been early adopted by the municipality.

GRAP 18 - Segment Reporting
GRAP 20 - Related party Disclosures
GRAP 25 - Employee benefits
GRAP 104 - Financial Instruments
GRAP 105 - Transfer of Function between Entities under Common control
GRAP 106 - Transfer of Function between Entities not under Common control
GRAP 107 - Mergers

Significant judgements and sources of estimation uncertainty

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. The estimates and associated assumption are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current

Significant judgements and sources of estimation uncertainty (continued)

and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements as well as assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments within the next financial year are included below.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.1 Biological assets

Initial Recognition

An entity shall recognise a biological assets or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Subsequent Measurement

Biological assets are measured at their fair value less point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs of a biological assets is included in surplus or deficit for the period in which it arises.

1.1 Biological assets (continued)

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to a biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

1.2 Investment property

INITIAL RECOGNITION

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.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in

1.2 Investment property (continued)

which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

1.2 Investment property (continued)

Cost model

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

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

The fair value of investment properties is determined at the reporting date by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation are based on the value of smililar properties in the market.

1.3 Property, plant and equipment

Refer to note 3 for details of the transitional provisions applied during the financial year. The policy set out below has been applied only to the extent that the requirements is not covered by the relevant transitional provision.

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 is the provisional value of the property, plant and equipment until the municipality no longer complies with Directive 4.

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.

1.3 Property, plant and equipment (continued)

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.

The cost of self-constructed assets includes the cost of material and direct labour, any other cost directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing cost (see note 1.15)

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 is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

1.3 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)
When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revalutation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	**Average useful life**
Buildings	30 years
Furniture and fixtures	7-10 years
Motor vehicles	5-7 years
Office equipment	3-5 years
Computer equipment	5 years
Computer software	5 years
Infrastructure	
• Roads and Paving	20 years
• Pederstrian malls	20 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years
Community	
• Buildings	30 years

1.3 Property, plant and equipment (continued)

• Recreational facilities	30 years
• Security	30 years
• Halls	30 years
• Libraries	30 years
• Parks and gardens	30 years
• Other assets	20-30 years
Specialised property, plant and equipment	5-15 years
Other equipment	
• Landfill sites	30 years
• Quarries	30 years
• Emergency	5-15 years
Bins and containers	5 years
Specialised vehicles	5-7 years
Water network	
• Watercraft	15 years
Heritage	
• Buildings	nil
• Paintings and artifacts	nil
Other property, plant and equipment	5-15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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.

Derecognition
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.

1.3 Property, plant and equipment (continued)

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 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment 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 2012 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3.

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

1.4 Intangible assets

Initial Recognition
An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

1.4 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement - Cost model

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Amortisation and impairment

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Computer software, other	5 years

1.4 Intangible assets (continued)

Derecognition

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.

Transitional provision

The municipality changed its accounting policy for intangible assets in 2011. 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 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. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets 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 2012 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, 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 Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities at fair value through surplus or deficit - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

1.5 Financial instruments (continued)

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at settlement date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

1.5 Financial instruments (continued)

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to councillors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. 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 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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 receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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 entity's accounting policy for borrowing costs.

1.5 Financial instruments (continued)

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the entity has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through'

1.5 Financial instruments (continued)

arrangement; or

- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality’s continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether

1.5 Financial instruments (continued)

significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

MUNICIPALITY AS 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.

Any contingent rents are expensed in the period in which they are incurred.

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

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

1.6 Leases (continued)

MUNICIPALITY AS LESSOR

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or 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.

Inventories are measured at the lower of cost and current replacement cost where they 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.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

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 of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs {or surveys of work done or completion of a physical proportion of the work}.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

1.8 Construction contracts and receivables (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.9 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.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality’s obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is

1.9 Employee benefits (continued)

discounted to determine its present value and the fair value of any related assets is deducted to determine the net obligation.

Termination benefits

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of valuntary redundancy, its is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. if benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

1.10 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 the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

1.10 Provisions and contingencies (continued)

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.

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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

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.

1.11 Revenue from exchange transactions

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

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

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

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

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.Interest revenue is recognised on a time proportion basis.

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

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

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

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

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

Measurement

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

1.11 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

1.11 Revenue from exchange transactions (continued)

- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Other Revenue sources:

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

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

1.12 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.

Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount

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

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

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

1.12 Revenue from non-exchange transactions (continued)

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

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

Revenue 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.

Levies

Levies are recognised as revenue 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.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;

1.12 Revenue from non-exchange transactions (continued)

- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

1.12 Revenue from non-exchange transactions (continued)

Government grants, Public contribution and donations

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.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

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.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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.

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

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Comparative figures

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

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure E to these financial statements

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.16 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.

1.17 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.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA 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) which has not been condoned in terms of section 170;.
  (c) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of Municipal Systems Act, and which has not been

1.18 Irregular expenditure (continued)

condoned in terms of the Act;
(d) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or
(e) expenditure incurred by a municipality of municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the
municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy
or by-laws but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

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 accordingly in the irregular expenditure register.

1.19 Offsetting

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

1.20 Internal reserves

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is

1.20 Internal reserves (continued)

made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Figures in Rand	2011	2010

2. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	3 550 000	-	3 550 000	3 550 000	-	3 550 000

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	3 550 000	3 550 000

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	3 550 000	3 550 000

Pledged as security

No investment property was pledged as security for loans at year end.

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 1.2, certain investment property with a carrying value of R 3 550 000 (2010: R 3 550 000) was recognised at provisional amounts.Due to amounts being carried ar provisional values no depreciation were provided on assets for the reporting period. Depreciation will be provided retrospectively upon valuation and correct measurements on the assets

Carrying amounts of investment property carried at provisional amounts are as follows:

Due to initial adoption of GRAP 16

Investment property	3 550 000	3 550 000

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

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	192 354 469	-	192 354 469	192 354 469	-	192 354 469
Buildings	91 065 125	-	91 065 125	91 065 125	-	91 065 125
Infrastructure	800 503 968	-	800 503 968	772 812 497	-	772 812 497
Community	846 387	-	846 387	90 000	-	90 000
Other property, plant and equipment	21 159 192	-	21 159 192	17 865 516	-	17 865 516
Total	**1 105 929 141**	**-**	**1 105 929 141**	**1 074 187 607**	**-**	**1 074 187 607**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Total
Land	192 354 469	-	192 354 469
Buildings	91 065 125	-	91 065 125
Infrastructure	772 812 497	27 691 471	800 503 968
Community	90 000	756 387	846 387
Other property, plant and equipment	17 865 516	3 293 676	21 159 192
	1 074 187 607	**31 741 534**	**1 105 929 141**

Figures in Rand	2011	2010

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Other changes, movements	Total
Land	190 479 469	-	-	1 875 000	192 354 469
Buildings	92 775 000	165 125	-	(1 875 000)	91 065 125
Infrastructure	739 502 845	33 309 652	-	-	772 812 497
Community	90 000	-	-	-	90 000
Other property, plant and equipment	16 376 755	2 169 017	(685 214)	4 958	17 865 516
	1 039 224 069	**35 643 794**	**(685 214)**	**4 958**	**1 074 187 607**

Note

	2011	2010
Additions is classified under two components namely additions and other change/movements.		
Cash component of addition	-	2 169 017
Non cash components of addition	-	4 739 016
	-	**6 908 033**
Disposal is classified under two components namely disposal and other change/movements.		
Cash component of disposals	-	685 214
Non cash components of disposal	-	4 734 058
	-	**5 419 272**
See appendix for proper movement on the fixed assets register.		
Total additions	-	6 908 272
Total disposals	-	(5 419 272)
	-	**1 489 000**

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 1, certain property, plant and equipment with a carrying value of R 1 105 929 141 (2010: R 1 070 238 522) was recognised at provisional amounts. Due to amounts being carried ar provisional values no depreciation were provided on assets for the reporting period. Depreciation will be provided retrospectively upon valuation and correct measurements on the assets

Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to initial adoption of GRAP 17

	2011	2010
Land and buildings	283 419 594	283 419 594
Infrastructure	800 503 968	772 812 497

Figures in Rand	2011	2010

3. Property, plant and equipment (continued)

Community	846 387	90 000
Other property, plant and equipment	21 159 192	13 916 431

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

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.

Figures in Rand	2011	2010

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	141 484	-	141 484	25 962	-	25 962

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Total
Computer software, other	25 962	115 522	141 484

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Total
Computer software, other	15 962	10 000	25 962

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 2 of the GRAP Reporting Framework, as disclosed in note 1.4, certain intangible assets with a carrying value of R 141 484 (2010: R 25 962) was recognised at provisional amounts.Due to amounts being carried ar provisional values no amortisation were provided on assets for the reporting period. Amortisation will be provided retrospectively upon valuation and correct measurements on the assets.

Carrying amounts of intangible assets carried at provisional amounts are as follows:

Due to initial adoption of GRAP 102

Computer software, other	141 484	25 962

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

Figures in Rand	2011	2010

5. Investments

Held to maturity		
Other Long term investment and deposits	3 327 949	3 159 715
Listed Investments	292 031	292 031
	3 619 980	**3 451 746**
Non-current assets		
Longterm investments	3 619 980	3 451 746

6. Inventories

Consumable store - at cost	164 144	483 267

7. Trade and other receivables from exchange transactions

Trade debtors	-	1 202 508
Other debtors	4 379 554	2 844 774
	4 379 554	**4 047 282**

8. Consumer debtors

Gross balances		
Rates	17 541 425	12 910 235
Electricity	5 398 552	3 760 101
Water	51 080 928	32 833 594
Sewerage	39 963 987	30 687 646
Refuse	42 658 774	32 710 520
Regional services levies	37 872 815	37 673 440
Housing rental	792 803	827 533
	195 309 284	**151 403 069**
Less: Provision for debt impairment		
Rates	(3 456 813)	(2 317 046)
Electricity	(486 548)	(326 125)
Water	(42 656 380)	(28 591 886)
Sewerage	(34 616 910)	(23 203 158)
Refuse	(38 748 342)	(25 972 391)
Sundary Debtors	(32 721 818)	(21 846 256)
Housing rental	(759 227)	(595 551)
	(153 446 038)	**(102 852 413)**
Net balance		
Rates	14 084 612	10 593 189
Electricity	4 912 004	3 433 976

Figures in Rand	2011	2010

8. Consumer debtors (continued)

Water	8 424 548	4 241 708
Sewerage	5 347 077	7 484 488
Refuse	3 910 432	6 738 129
Sundary debtors	5 150 997	15 827 184
Housing rental	33 576	231 982
	41 863 246	**48 550 656**

Rates

Current (0 -30 days)	883 177	800 435
31 - 60 days	713 631	645 511
61 - 90 days	1 807 387	1 661 547
91 - 120 days	540 204	490 589
121 - 365 days	10 140 213	6 995 107
	14 084 612	**10 593 189**

Electricity

Current (0 -30 days)	1 824 374	1 391 237
31 - 60 days	300 738	225 606
61 - 90 days	184 218	112 803
91 - 120 days	128 788	97 762
121 - 365 days	2 473 886	1 606 568
	4 912 004	**3 433 976**

Water

Current (0 -30 days)	3 158 469	1 590 269
31 - 60 days	5 266 079	2 651 439
	8 424 548	**4 241 708**

Sewerage

Current (0 -30 days)	1 003 646	938 570
31 - 60 days	3 672 905	5 141 092
61 - 90 days	670 526	1 404 826
	5 347 077	**7 484 488**

Refuse

Current (0 -30 days)	1 037 994	4 949 546
31 - 60 days	2 872 438	1 788 583
	3 910 432	**6 738 129**

Sundary debtors

Current (0 -30 days)	147 899	1 055 150
31 - 60 days	3 211 009	11 603 711
61 - 90 days	70 630	376 734
91 - 120 days	127 287	753 468
121 - 365 days	155 930	1 130 203

Figures in Rand	2011	2010

8. Consumer debtors (continued)

> 365 days	1 438 242	907 918
	5 150 997	**15 827 184**

Housing rental

Current (0 -30 days)	33 576	231 982

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	7 270 988	4 733 334
31 - 60 days	17 893 736	4 024 170
61 - 90 days	4 975 741	3 195 784
91 - 120 days	3 542 788	3 432 232
121 - 365 days	150 092 371	127 092 216
	183 775 624	142 477 736
Less: Provision for debt impairment	(152 871 288)	(102 415 087)
	30 904 336	**40 062 649**

Industrial/ commercial

Current (0 -30 days)	432 477	282 813
31 - 60 days	1 015 277	272 425
61 - 90 days	196 689	129 992
91 - 120 days	126 492	166 763
121 - 365 days	5 299 933	4 683 775
	7 070 868	5 535 768
Less: Provision for debt impairment	(574 752)	(437 324)
	6 496 116	**5 098 444**

National and provincial government

Current (0 -30 days)	352 189	266 568
31 - 60 days	315 682	185 957
61 - 90 days	221 288	179 617
91 - 120 days	193 181	164 823
121 - 365 days	3 503 096	3 142 974
	4 585 436	**3 939 939**

Total

Current (0 -30 days)	8 055 654	5 282 715
31 - 60 days	19 224 695	4 563 163
61 - 90 days	5 393 718	3 505 393
91 - 120 days	3 862 461	3 763 818
121 - 365 days	158 772 758	134 287 980
	195 309 286	151 403 069
Less: Provision for debt impairment	(153 446 040)	(102 852 413)
	41 863 246	**48 550 656**

Figures in Rand	2011	2010

8. Consumer debtors (continued)

Less: Provision for debt impairment		
Current	(153 446 038)	(102 852 413)

Reconciliation of debt impairment provision		
Balance at beginning of the year	(102 852 412)	(100 398 216)
Contributions to provision	(50 593 626)	(2 503 999)
Debt impairment written off against provision	-	49 802
	(153 446 038)	**(102 852 413)**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 203	-
Bank balances	4 047 777	3 915 386
Short-term deposits	6 105 978	10 965 144
	10 154 958	**14 880 530**

Short Term Investment included in Cash and cash Equivalents	6 105 978	10 965 144

Figures in Rand	2011	2010

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010		30 June 2011	30 June 2010	
ABSA Bank - Reitz Branch - 217-056-0119	332 413	232 609	-	332 413	232 609	-
First National Bank - Reitz Branch: Account Number - 620-640-82799	3 647 830	3 647 830	-	3 647 830	3 647 830	-
Absa Bank - Reitz Branch - Acc Number 2170142538	67 534	34 946	-	67 534	34 946	-
Total	**4 047 777**	**3 915 385**	**-**	**4 047 777**	**3 915 385**	**-**

Figures in Rand	2011	2010

10. Non-Current Borrowings

Held at amortised cost		
DBSA loans	8 117 800	8 489 981
Fixed interest rates of 10,35% with fixed instalments of R 96,732.62 p/m. The maturity date of this loan is 2024.		
DBSA loans	1 355 049	1 461 637
Fixed interest rates of 9,09% with fixed instalments of R 15,156.21 p/m.The maturity date of this loan is 2024		
	9 472 849	**9 951 618**

Non-current liabilities		
At amortised cost	9 472 849	9 951 618

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MISG	433 311	845 853
MFMG	511 491	435 166
DWAF drought relief	-	500 000
MIG Grants	-	473 465
	944 802	**2 254 484**

Movement during the year

Balance at the beginning of the year	2 254 484	9 062 193
Additions during the year	83 181 343	74 802 639
Income recognition during the year	(84 491 025)	(81 610 348)
	944 802	**2 254 484**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the controlling entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note for reconciliation of grants from National/Provincial Government.

Figures in Rand	2011	2010

12. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	-	3 542 327	3 542 327

The provision for rehablilitation of landfill site related to the construtive obligation to rehabilitate landfill sites used for waste disposal. The provison is discounted to the present value of the future cost to rehabilitate the landfill site, using the average cost of the municipality borrowing interest rate.

The landfill site are located at Mamafubedu and Ntha.

Transitional provisions

13. Trade and other payables from exchange transactions

	2011	2010
Trade payables	11 272 776	5 141 519
Accrued leave pay	2 817 723	2 418 209
Accrued bonus	1 098 035	857 846
Finance portion of trade payables	124 498	24 748
	15 313 032	**8 442 322**

Fair value of trade and other payables

	2011	2010
Trade payables	11 148 276	5 116 772
Finance portion of trade payables	122 253	24 748
Finance portion of accruals	2 245	-
	11 272 774	**5 141 520**

14. VAT payable

	2011	2010
Tax refunds payables	13 194 624	10 595 905

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

15. Consumer deposits

	2011	2010
Electricity	1 172 068	1 186 822

No interest accrued or paid on consumer deposits.

Figures in Rand	2011	2010

16. Property rates

Rates received

Residential, commercial and state	10 681 610	15 761 300

Valuations

Valuation on property rates are performed every 4 years. The last general valuation came into effect on 1 July 2009.

Rebates of R 20,000 (2010: R 20,000) are granted to residential property owners.

Rates are levied on an monthly basis. Interest at prime plus 1% per annum is levied on outstanding rates older then 30 days.

The new general valuation will be implemented on 01 July 2013.

17. Service charges

Sale of electricity	17 796 071	14 075 737
Sale of water	27 104 575	22 751 272
Sewerage and sanitation charges	12 286 353	11 307 793
Refuse removal	12 982 846	10 659 621
	70 169 845	**58 794 423**

Figures in Rand	2011	2010

18. Government grants and subsidies

Equitable share	62 145 342	49 942 885
MSIG	1 162 542	569 981
FMG	1 123 676	1 152 305
MIG Grants	20 059 465	29 945 177
	84 491 025	**81 610 348**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The equitable share is an unconditional grant and is utilised to assist the local municipalities to undetake service delivery
There were no delay or withholding of the subsidy.

MSIG Grant

Balance unspent at beginning of year	845 853	680 835
Current-year receipts	750 000	735 000
Conditions met - transferred to revenue	(1 162 542)	(569 982)
	433 311	**845 853**

Conditions still to be met - remain liabilities (see note 11)

MFMG Grants

Balance unspent at beginning of year	435 166	837 471
Current-year receipts	1 200 000	750 000
Conditions met - transferred to revenue	(1 123 675)	(1 152 305)
	511 491	**435 166**

Conditions still to be met - remain liabilities (see note 11)

DWAF drought relief

Balance unspent at beginning of year	500 000	500 000
Conditions met - transferred to revenue	(500 000)	-
	-	**500 000**

Conditions still to be met - remain liabilities (see note 11)

MIG Grant

Balance unspent at beginning of year	473 465	6 605 001
Current-year receipts	19 586 000	23 814 000
Conditions met - transferred to revenue	(20 059 465)	(29 945 536)
	-	**473 465**

Conditions still to be met - remain liabilities (see note 11)

Figures in Rand	2011	2010

19. General expenses

Advertising	312 755	263 606
Assessment rates & municipal charges	35 817	207 228
Assets expensed	81 245	31 920
Auditors remuneration	1 716 372	1 151 685
Bank charges	330 175	232 163
Chemicals	999 323	772 628
Cleaning	72 596	193 730
Commission paid	1 102	7 158
Consulting and professional fees	6 347 269	5 990 955
Consumables	401 558	842 123
Debt collection	20 454	-
Donations	347 112	373 677
Electricity	3 158 011	6 260 850
Entertainment	1 189 902	1 127 547
Fuel and oil	2 655 502	3 998 313
Insurance	423 064	647 927
Lease rentals on operating lease	499 277	620 961
License applications	-	3 986
Magazines, books and periodicals	18 144	35 202
Membership fees	492 287	32 247
Other expenses	2 628 128	14 240 277
Postage and courier	506 445	473 305
Printing and stationery	821 819	907 992
Solid waste rehabilitation expense	3 542 327	-
Promotions	541 422	166 350
Refuse	27 791	37 289
Refuse	8 305	-
Restructuring	-	131 232
Sewerage and waste disposal	30 439	28 723
Staff welfare	-	759 727
Subscriptions and membership fees	91 888	-
Telephone and fax	1 087 916	1 131 814
Title deed search fees	8 240	11 108
Training	1 422 671	524 978
Travel - local	1 404 830	1 141 795
Uniforms	374 674	178 352
Water	69 643	69 465
	31 668 503	**42 596 313**

Figures in Rand	2011	2010

20. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Equipment		
• Contractual amounts	499 277	620 961
Loss on sale of other asset	-	(4 734 059)
Employee costs	43 254 614	41 642 700

21. Employee related costs

Basic	24 407 487	23 913 129
Bonus	2 159 906	1 623 383
Medical aid - company contributions	1 062 708	1 853 387
UIF	311 209	256 338
WCA	282 964	221 244
SDL	268 997	224 885
Leave pay provision charge	639 703	279 240
Salga	204 352	15 734
Travel, motor car, accommodation, subsistence and other allowances	1 032 634	1 230 580
Overtime payments	1 613 647	1 853 580
Acting allowances	118 131	313 261
Housing benefits and allowances	170 946	116 151
Pension fund contribution	4 168 032	3 954 681
Standby allowance	448 096	162 161
	36 888 812	**36 017 754**

Remuneration of municipal manager

Annual Remuneration	595 874	759 471
Car Allowance	397 419	85 259
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	994 790	**846 227**

Remuneration of chief finance officer

Annual Remuneration	539 099	487 577
Car Allowance	149 767	137 929
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	690 363	**627 003**

Figures in Rand	2011	2010

22. Remuneration of councillors

Mayor	687 701	575 869
Executive Council	1 112 150	695 702
Councillors	2 361 681	2 388 757
Speaker	519 117	491 388
	4 680 649	**4 151 716**

23. Investment revenue

Interest revenue		
Interest on investments	1 312 364	1 626 587

24. Finance costs

Non-current borrowings	1 018 119	1 049 261

25. Auditors' remuneration

Fees	1 716 372	1 151 685

26. Bulk purchases

Electricity	18 398 220	12 880 547
Water	1 133 286	277 727
	19 531 506	**13 158 274**

27. Cash generated from operations

Surplus	9 270 589	46 558 256
Adjustments for:		
Gain on sale of assets and liabilities	-	4 734 059
Debt impairment	50 593 628	2 503 998
Movements in provisions	3 542 327	-
Contribution to provision - current	-	484 253
Indigent written off	-	926 733
Other non-cash items	231 001	(19 402 847)
Changes in working capital:		
Inventories	319 123	(483 267)
Trade and other receivables from exchange transactions	(332 272)	(4 047 282)
Consumer debtors	(43 906 218)	(51 054 654)
Trade and other payables from exchange transactions	6 870 711	8 442 322
VAT	2 598 719	10 595 905
Unspent conditional grants and receipts	(1 309 682)	2 254 484
Consumer deposits	(14 754)	1 186 822
	27 863 172	**2 698 782**

Figures in Rand	2011	2010

28. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	23 317 000	23 925 860
Not yet contracted for and authorised by accounting officer		
• Infrastructure	19 500 000	31 717 000
• Other	-	895 000
	19 500 000	**32 612 000**

This committed expenditure relates to infrastruture and other will be financed as followed

- Government Grants	20,083,000	21,176324
-Own resources	9,295,000	895,000

Retention monies on capital projects		
- Mamafubedu: Paving of 6km roads (MIS:164362) - Phase 1 & 2	1 160 786	589 911
Petsana: Paving of 6km roads (MIS:164359) - Phase 1 & 2	567 149	302 049
Ntha: Paving of 6km roads (MIS:163665)- Phase 1 & 2	835 851	589 911
Sewer Network at Mamafubedu, Petrus Steyn	1 206 778	-
Package Plant Providng suitable effluent at Mamafubedu Petrus Steyn	300 000	-
	4 070 564	**1 481 871**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	556 799	186 593
- in second to fifth year inclusive	893 331	382 545
- later than five years	-	569 138
	1 450 130	**1 138 276**

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	243 000	325 180
- in second to fifth year inclusive	816 859	572 302
- later than five years	-	734 892
	1 059 859	**1 632 374**

Figures in Rand	2011	2010

29. Contingencies

Contingent Liabilities

Labour Matters involving the Municipality:
Mofude SJ vs Nketoana Local Municipality, case is currently in progress at the Labour Court is estimated cost of R 100,000.

Abritration matter at their conciliation stage involving Dazzman Radebe are expected to be around R 80,000**.**

Civil Matters

We have also three applicants agaist the municipality related to farms evictions in terms of The Extension of Security of Tenure Act,1997(ESTA). Wessels/ Nketoana, Spes Bona/ Nketoana and Swanepol/ Nketoana. We estimate the cost to be R 60,000, collectively because municipal council will be employed and the attorney will only be preparing briefs.

Various allegations are pending against managers and employees related to their conduct while on duty or during scope of their employment. The estimated cost for the procedings is should be around R 60,000.

30. Prior period errors

In the prior period property, plant and equipment were understated due to a error on the fixed asset register. The amount of R 3,949,085 were subsequently identified on the assets register and both the financial statement and asset register are restrospectively restated.

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

Statement of financial position		
Property, plant and equipment	-	3 949 085
Opening Accumualted Surplus or Deficit	-	(3 949 085)

31. Comparative figures

Certain comparative figures have been reclassified.

This year the municipality is using caseware to compile their financial statement. Caseware is a trusted accounting program that allow its users to properly classify transaction and balances in the financial statement, hence transaction and balances in the prior year is being affected to compansate for the proper classification in the current financial year.

The effects of the reclassification are as follows:

Statement of financial position (Currently presented vs previously presented in 2010 financial statement)		
Trade and other receivable form exchange transaction	4 047 282	52 597 939
Consumer debtors	48 550 656	-
Property, plant and equipment	1 074 187 607	1 070 238 522
Investment - Non-current Assets	3 451 746	8 376 269
Short term investments	10 965 144	-

Statement of financial performance (Currently presented vs previously presented in 2010 financial statement)		
Rental of facilities and equipment	516 970	578 080
Interest earned - investments	1 626 587	1 565 653
Other income	2 069 151	2 070 806

Figures in Rand	2011	2010

31. Comparative figures (continued)

Personnel - employee cost	37 490 984	38 353 538
Repairs and maintenance	6 061 981	6 062 061
General expenses	42 596 313	60 200 077
Grants and subsidies	13 730 685	-

Statement of financial performance (Currently presented vs previously presented in 2010 financial statement)

Net cash and cash equivalents at beginning	34 161 924	40 202 546

Trade and other receivable form exchange transaction.
In the previous year consumer debtor and trade and other receivable were reflected as one line items on the face of Financial Position, but split in the notes.

Consumer debt
In the previous year consumer debtor and trade and other receivable were reflected as one line items on the face of Financial Position, but split in the notes.

Property, plant and equipment
See note 30. Prior period error.

Investment - Non-current Assets
Previously the short term investments were included under long term investment and has now been allocated and reclassified as short term.

Rental of facilities and equipment
The were change in the current year allocation to include all rental income. The amount in previous year included R 61,109.53 that was actual interest income

Interest earned - investments
The were change in the current year allocation to include the R 61,109.53 previously showed under rental income.

Other income
The difference of R 1,655.36 were general expense cause it related to expense votes and correctly allocated in the current year

Personnel - employee cost
Travel and subsitance allocated incorrectly in previous year, this year included in the general ledger amounting R 862,554.

Repairs and maintenance
Allocated the difference to the general expense of a amount of R 80,00.

General expenses
Previous year general expenses included the subsidies paid and the loss on assets disposals. In the current year it only general expense and the other (Subsidies & Loss) are separeted line items.

Grants and subsidies
See above

Net cash and cash equivalents at beginning of the year.

Figures in Rand	2011	2010

31. Comparative figures (continued)

As a result of reallocation and classification to the above balances and transaction the cash and cash equivalents in the beginning of the year change from R 40,202,546 to R 40,388,052

32. Events after the reporting date

The following non- adjusting events after reporting date occurred;

The municipality incurred damage to the Carports of an invoice amounting R187000, that occured after 30 June 2011. A claim was submited to the insurance company to recover the loss.

33. Unauthorised expenditure

Opening Balance	26 466 769	13 254 568
Unauthorised expenditure	42 908 971	13 212 201
Approved or condoned by council	(26 466 769)	-
	42 908 971	**26 466 769**

The municipality exceeded its budget for the year ended 30 June 2011 due to the provision for bad debts of R50,593,628 and rehabilitation of landfill sites of R3,542,327.

34. Fruitless and wasteful expenditure

Opening Balance	-	136 400
Fruitless and wasteful expenditure	-	1 400
	-	**137 800**

Figures in Rand	2011	2010

35. Irregular expenditure

Opening balance	574 840	409 269
Add: Irregular Expenditure - current year	1 370 458	165 571
Less: Amounts condoned	(574 840)	-
	1 370 458	**574 840**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
MC Makopoi	Disciplinary action against the Manager (Acting Coporate Services)were taken and resulted in dismissal	4 000
MC Makopoi	Disciplinary action were taken against the manager which resulted in dismissal	4 224
Lawnmowers	Criminal case was opened at police station and the manager responsible aws dismissed	153 896
Overpayment of s&t	the assistant manager who was involved in this irregular expenditure was dismissed	3 451
		165 571

36. Additional disclosure in terms of Municipal Finance Management Act

VAT

VAT payable	13 194 624	10 595 905

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

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
MD Molapisi (Mayor)	581	3 156	3 737
P. Nkomo (Speaker)	405	-	405
M. Mphaka (Executive member)	-	4 766	4 766
G. Nhlapho	820	18 478	19 298
M. Moloedi	290	3 404	3 694
P. Mofokeng	741	7 518	8 259
T. Radebe	1 334	42 621	43 955
M. Nakedi	560	960	1 520
K. Mokoena	7 169	300	7 469
S. Du Preez	650	-	650
N. Shabalala	252	38 069	38 321
P. Sibeko	330	3 636	3 966
P. Moshoadiba	781	14 251	15 032
M. Semela	581	10 386	10 967
M.Malindi (Chief Whip)	-	5 518	5 518
	14 494	**153 063**	**167 557**

37. Utilisation of Long-term liabilities reconciliation

	2011	2010
Long-term liabilities raised	9 472 849	9 951 618

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

38. Contingent Assets

Outstanding insurance claims amounting to R 270,542 are still being assessed by the insurer. The realisation of this future fair value of revenue is uncertain and therefore not recognise as a asset. The timing and the value of this economic inflow to the entity is uncertain and not under the control of the municipality.

39. Rounding errors

Due to the utilisation of new accounting software (Caseware program) the opening balance were affected by rounding errors.

Appendix A: Schedule of external loans

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Development Bank of South Africa								
DBSA @ 10.35%	101390/1		8 692 089	-	273 495	8 418 594	-	-
DBSA @9.09%	101390/2		1 461 636	-	51 049	1 410 587	-	-
			10 153 725	**-**	**324 544**	**9 829 181**	**-**	**-**
Total external loans								
Development Bank of South Africa			10 153 725	-	324 544	9 829 181	-	-
			10 153 725	**-**	**324 544**	**9 829 181**	**-**	**-**

Supplementary Information

Appendix B: Analysis of property, plant and equipment

Nketoana Local Municipality
Nketoana Local Municipality
Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2011

	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	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	190 479 468	-	-	-	-	**1 875 000**	**192 354 468**	-	-	-	-	-	**-**	192 354 468
Buildings (Separate for AFS purposes)	92 775 000	165 125	-	-	-	**(1 875 000)**	**91 065 125**	-	-	-	-	-	**-**	91 065 125
	283 254 468	**165 125**	**-**	**-**	**-**	**-**	**283 419 593**	**-**	**-**	**-**	**-**	**-**	**-**	**283 419 593**
Infrastructure														
Roads	543 436 702	17 152 299	-	-	-	**-**	**560 589 001**	-	22 218 217	-	-	-	**22 218 217**	582 807 218
Water main & purification	43 596 041	763 107	-	-	-	**-**	**44 359 148**	-	2 061 849	-	-	-	**2 061 849**	46 420 997
Sewerage purification	120 129 813	12 405 407	-	-	-	**-**	**132 535 220**	-	2 675 356	-	-	-	**2 675 356**	135 210 576
Electricity mains	32 340 286	2 988 839	-	-	-	**-**	**35 329 125**	-	736 050	-	-	-	**736 050**	36 065 175
	739 502 842	**33 309 652**	**-**	**-**	**-**	**-**	**772 812 494**	**-**	**27 691 472**	**-**	**-**	**-**	**27 691 472**	**800 503 966**
Community Assets														
Sportsfields and stadium	90 000	-	-	-	-	**-**	**90 000**	-	756 387	-	-	-	**756 387**	846 387
	90 000	**-**	**-**	**-**	**-**	**-**	**90 000**	**-**	**756 387**	**-**	**-**	**-**	**756 387**	**846 387**

Nketoana Local Municipality
Nketoana Local Municipality
Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2011

	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	Other changes, movements Rand	Closing Balance Rand	Carrying value Rand
Other assets														
Other	16 376 758	6 908 033	(5 419 272)	-	-	-	**17 865 519**	-	3 293 672	-	-	-	**3 293 672**	21 159 191
	16 376 758	**6 908 033**	**(5 419 272)**	**-**	**-**	**-**	**17 865 519**	**-**	**3 293 672**	**-**	**-**	**-**	**3 293 672**	**21 159 191**
Total property plant and equipment														
Land and buildings	283 254 468	165 125	-	-	-	-	**283 419 593**	-	-	-	-	-	**-**	283 419 593
Infrastructure	739 502 842	33 309 652	-	-	-	-	**772 812 494**	-	27 691 472	-	-	-	**27 691 472**	800 503 966
Community Assets	90 000	-	-	-	-	-	**90 000**	-	756 387	-	-	-	**756 387**	846 387
Other assets	16 376 758	6 908 033	(5 419 272)	-	-	-	**17 865 519**	-	3 293 672	-	-	-	**3 293 672**	21 159 191
	1 039 224 068	**40 382 810**	**(5 419 272)**	**-**	**-**	**-**	**1 074 187 606**	**-**	**31 741 531**	**-**	**-**	**-**	**31 741 531**	**1 105 929 137**
Intangible assets														
Computers - software & programming	15 962	10 000	-	-	-	-	**25 962**	-	115 522	-	-	-	**115 522**	141 484
	15 962	**10 000**	**-**	**-**	**-**	**-**	**25 962**	**-**	**115 522**	**-**	**-**	**-**	**115 522**	**141 484**
Investment properties														
Investment property	3 550 000	-	-	-	-	-	**3 550 000**	-	-	-	-	-	**-**	3 550 000
	3 550 000	**-**	**-**	**-**	**-**	**-**	**3 550 000**	**-**	**-**	**-**	**-**	**-**	**-**	**3 550 000**
Total														
Land and buildings	283 254 468	165 125	-	-	-	-	**283 419 593**	-	-	-	-	-	**-**	283 419 593
Infrastructure	739 502 842	33 309 652	-	-	-	-	**772 812 494**	-	27 691 472	-	-	-	**27 691 472**	800 503 966
Community Assets	90 000	-	-	-	-	-	**90 000**	-	756 387	-	-	-	**756 387**	846 387
Other assets	16 376 758	6 908 033	(5 419 272)	-	-	-	**17 865 519**	-	3 293 672	-	-	-	**3 293 672**	21 159 191
Intangible assets	15 962	10 000	-	-	-	-	**25 962**	-	115 522	-	-	-	**115 522**	141 484
Investment properties	3 550 000	-	-	-	-	-	**3 550 000**	-	-	-	-	-	**-**	3 550 000
	1 042 790 030	**40 392 810**	**(5 419 272)**	**-**	**-**	**-**	**1 077 763 568**	**-**	**31 857 053**	**-**	**-**	**-**	**31 857 053**	**1 109 620 621**

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

Nketoana Local Municipality
Appendix D
June 2011

Segmental Statement of Financial Performance for the year ended

Prior Year Actual Income Rand	Prior Year Actual Expenditure Rand	Prior Year Surplus /(Deficit) Rand		Current Year Actual Income Rand	Current Year Actual Expenditure Rand	Current Year Surplus /(Deficit) Rand
			Municipality			
339 529	16 040 376	(15 700 847)	Executive & Council/Mayor and Council	66 557	13 573 437	(13 506 880)
109 939 380	21 578 619	88 360 761	Finance & Admin/Finance	108 334 993	71 604 638	36 730 355
-	-	-	Planning and Development/Economic Development/Plan	8 000	1 639 468	(1 631 468)
371 980	7 365 416	(6 993 436)	Comm. & Social/Libraries and archives	13 393 537	17 067 778	(3 674 241)
146 277	1 704 690	(1 558 413)	Public Safety/Police	198 194	2 345 994	(2 147 800)
467 137	3 028 652	(2 561 515)	Sport and Recreation	-	234 197	(234 197)
22 026 473	16 914 453	5 112 020	Waste Water Management/Sewerage	12 299 942	11 935 966	363 976
15 766	5 651 345	(5 635 579)	Road Transport/Roads	5 010	4 884 589	(4 879 579)
22 764 139	8 704 063	14 060 076	Water/Water Distribution	27 180 576	10 290 087	16 890 489
14 244 360	25 631 586	(11 387 226)	Electricity /Electricity Distribution	18 172 931	21 110 362	(2 937 431)
1 722 142	18 859 726	(17 137 584)	Other/Air Transport	31 820	15 734 455	(15 702 635)
172 037 183	**125 478 926**	**46 558 257**		**179 691 560**	**170 420 971**	**9 270 589**
			Municipal Owned Entities			
			Other charges			
172 037 183	125 478 926	46 558 257	Municipality	179 691 560	170 420 971	9 270 589
172 037 183	**125 478 926**	**46 558 257**	**Total**	**179 691 560**	**170 420 971**	**9 270 589**

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

Nketoana Local Municipality
Appendix E(1)
June 2011

Yearly						Yearly			
Current year 2010 Act. Bal. Rand	Current year 2010 Bud. Amt Rand	Variance Rand	Var	Current year 2010 Adjusted budget Rand		Forecast # 1 2011 Act. Bal. Rand	Forecast # 1 2011 Bud. Amt Rand	Variance Rand	Var
					Revenue				
15 761 300	7 153 000	8 608 300	120,3	-	Property rates	10 681 610	7 725 000	2 956 610	38,3
58 794 423	49 601 858	9 192 565	18,5	-	Service charges	70 169 845	57 090 000	13 079 845	22,9
57 080	341 314	(284 234)	(83,3)	-	Rental of facilities and equipment	237 667	352 000	(114 333)	(32,5
11 503 342	4 976 894	6 526 448	131,1	-	Interest received (trading)	8 302 064	2 424 000	5 878 064	242,5
153 231	-	153 231	-	-	Fines	102 419	200 000	(97 581)	(48,8
-	60 000	(60 000)	(100,0)	-	Licences and permits	-	-	-	-
81 610 348	51 428 000	30 182 348	58,7	-	Government grants & subsidies	84 560 783	64 095 000	20 465 783	31,9
2 070 806	743 500	1 327 306	178,5	-	Other income	4 346 980	712 000	3 634 980	510,5
1 565 653	350 000	1 215 653	347,3	-	Interest received - investment	1 290 192	500 000	790 192	158,0
171 516 183	14 654 566	56 861 617	49,6	-		179 691 560	133 098 000	46 593 560	35,0
					Expenses				
37 211 741	31 743 000	5 468 741	17,2	-	Personnel	38 573 965	41 818 000	(3 244 035)	(7,8
4 151 716	4 118 000	33 716	0,8	-	Remuneration of councillors	4 680 649	4 488 000	192 649	4,3
1 049 261	1 440 000	(390 739)	(27,1)	-	Finance costs	1 018 119	980 000	38 119	3,9
2 503 998	6 453 641	(3 949 643)	(61,2)	-	Debt impairment	50 593 628	10 000 000	40 593 628	405,9
6 061 980	9 554 000	(3 492 020)	(36,6)	-	Repairs and maintenance - General	10 081 089	8 480 000	1 601 089	18,9
13 158 274	15 450 000	(2 291 726)	(14,8)	-	Bulk purchases	19 531 506	19 187 000	344 506	1,8
13 730 685	19 477 600	(5 746 915)	(29,5)	-	Grants and subsidies paid	14 273 512	-	14 273 512	-
60 200 077	43 508 165	16 691 912	38,4	-	General Expenses	31 668 503	42 559 000	(10 890 497)	(25,6
138 067 732	31 744 406	6 323 326	4,8	-		170 420 971	127 512 000	42 908 971	33,7
					Other revenue and costs				
					Net surplus/ (deficit) for the year				
309 583 915	46 398 972	63 184 943	25,6	-		350 112 531	260 610 000	89 502 531	34,3

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

Nketoana Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts			Quarterly Expenditure				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	Sep	Dec	Mar	Jun		Yes/ No	
MIG	NKETOANA LOCAL MUNICIPALITY	8 394 000	8 394 000	2 798 000	9 968 518	7 845 915	1 082 583	21 728 180	N/A	Yes	
MSIG	NKETOANA LOCAL MUNICIPALITY	750 000	-	-	59 000	-	314 491	-	N/A	No	THE MUNICIPALITYFUNS OVERSPENT ON THE CURRENT FINANCIAL GRANT, BUT THERE WAS SUFFICIENT UNSPENT GRANT FROM THE PREVIOUS FINANCIAL YEARS
EQUITABLE SHARE	NKETOANA LOCAL MUNICIPALITY	25 893 893	20 715 114	15 536 335	15 536 336	15 536 336	15 536 336	15 536 336	N/A	Yes	
MFMG	NKETOANA LOCAL MUNICIPALITY	-	1 200 000	-	114 241	262 342	625 380	121 705	N/A	No	THE MUNICIPALITYFUNS OVERSPENT ON THE CURRENT FINANCIAL GRANT, BUT THERE WAS SUFFICIENT UNSPENT GRANT FROM THE PREVIOUS FINANCIAL YEARS
LGSETA	NKETOANA LOCAL MUNICIPALITY	15 693	34 771	-	16 822	16 822	16 822	16 822	N/A		
		35 053 586	30 343 885	18 334 335	25 694 917	23 661 415	17 575 612	37 403 043			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.