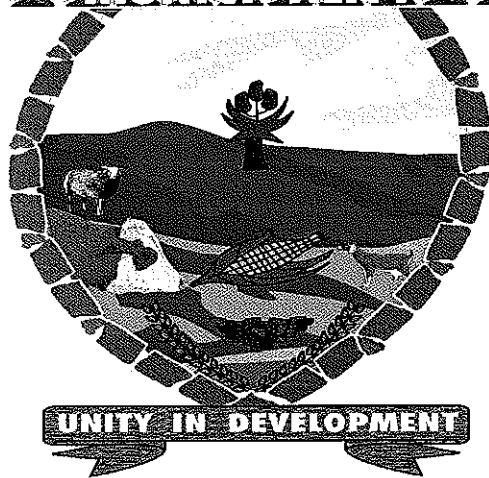


**EMALAHLENI
MUNICIPALITY**



Emalahleni Municipality
Annual Financial Statements
for the year ended 30 June 2009

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

General Information

Nature of business and principal activities	Service delivery
Accounting Officer	Mr N J Kwepile
Chief Finance Officer (CFO)	Ms M Ludick
Registered office	37 Indwe Road LADY FRERE 5410
Bankers	Standard Bank
Auditors	Office of the Auditor General
Attorneys	Smith Tabata Kirchmanns
Contact numbers	Tel: (047) 878 0020 Fax: (047) 878 0112

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Index

Index	Page
Accounting Officer's Responsibilities and Approval	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8 - 18
Notes to the Annual Financial Statements	19 - 32
Appendixes:	
Appendix A: Schedule of External loans	33
Appendix B: Analysis of Property, Plant and Equipment	35
Appendix C: Segmental analysis of Property, Plant and Equipment	37
Appendix D: Segmental Statement of Financial Performance	39
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	41
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	43
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	45

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)

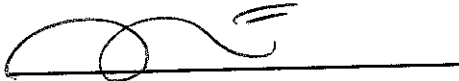
Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 32, in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.



Mr. N. J. Kwepile

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Position

Figures in Rand	Note(s)	2009	2008
Assets			
Current Assets			
Inventories	9	166 706	82 180
Loans to managers and employees	10	77 301	76 995
Other financial assets	5	37 203 489	33 639 105
Trade and other receivables from exchange transactions	11	6 797 116	1 158 396
Other current asset	8	79 380	9 454 704
Cash and cash equivalents	12	12 514 154	9 240 220
		56 838 146	53 651 600
Non-Current Assets			
Investment property	2	-	-
Property, plant and equipment	3	74 150 315	50 274 108
Intangible assets	4	250 000	-
		74 400 315	50 274 108
Total Assets		131 238 461	103 925 708
Liabilities			
Current Liabilities			
Finance lease obligation	13	71 609	66 158
Trade and other payables from exchange transactions	16	2 683 164	1 674 365
Taxes and transfers payable	17	2 095 921	1 086 587
Consumer deposits	18	38 401	38 401
Deferred income / Unspent conditional grants and receipts	14	20 438 423	15 284 853
Provisions	15	7 342 917	249 649
		32 670 435	18 400 013
Non-Current Liabilities			
Finance lease obligation	13	150 687	263 898
Retirement benefit obligation	7	850 296	850 296
		1 000 983	1 114 194
Total Liabilities		33 671 418	19 514 207
Net Assets		97 567 043	84 411 501
Net Assets			
Reserves			
Capital replacement reserve		-	20 000 000
Government grant reserve		-	48 023 823
Accumulated surplus		97 567 043	16 387 678
Total Net Assets		97 567 043	84 411 501

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Financial Performance

Figures in Rand	Note(s)	2009	2008
Revenue			
Property rates	21	1 961 120	2 243 685
Service charges	22	5 043 810	4 792 987
Rental Income		509 281	419 656
Interest received - outstanding receivables		1 366 771	2 085 765
Interest received - external investments	29	3 909 693	4 279 125
Licences and permits		953 096	281 353
Government grants	23	49 175 066	41 943 353
Commissions received		185 733	150 273
Other income		292 555	215 389
Dividends received	29	9 830	-
Total Revenue		63 406 955	56 411 586
Expenditure			
Employee related costs	26	(14 240 659)	(14 352 429)
Remuneration of councillors	27	(5 741 550)	(5 242 363)
Administration		(211 736)	-
Depreciation and amortisation	30	-	(2 547 077)
Finance costs	31	(34 777)	(51 759)
Debt impairment	28	(11 642 896)	(19 333 736)
Repairs and maintenance		(1 740 281)	(1 000 126)
Bulk purchases	32	(4 174 752)	(3 028 793)
General Expenses	25	(8 740 258)	(6 360 366)
Operating grant expenditure		(10 323 393)	(11 299 112)
Total Expenditure		(56 850 302)	(63 215 761)
Discounting of provision for landfill site rehabilitation		70 502	-
Surplus (deficit) for the year		6 627 155	(6 804 175)

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Statement of Changes in Net Assets

Figures in Rand	Capital replacement reserve	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	20 000 000	44 165 907	64 165 907	21 073 889	85 239 796
Balance at 01 July 2008 as restated	20 000 000	44 165 907	64 165 907	21 073 889	85 239 796
Changes in net assets					
Surplus for the year	-	-	-	(6 804 175)	(6 804 175)
Capital grants used to purchase PPE	-	5 940 899	5 940 899	(5 940 899)	-
Offsetting of depreciation	-	(2 082 983)	(2 082 983)	2 082 983	-
Adjustment prior year errors	-	-	-	5 975 880	5 975 880
Total changes	-	3 857 916	3 857 916	(4 686 211)	(828 295)
Balance at 01 July 2008	20 000 000	48 023 823	68 023 823	16 387 678	84 411 501
Changes in net assets					
Surplus for the year	-	-	-	6 627 155	6 627 155
Adjustment - reserves transferred to accumulated surplus	(20 000 000)	(48 023 823)	(68 023 823)	68 023 823	-
Asset take-on	-	-	-	6 528 387	6 528 387
Total changes	(20 000 000)	(48 023 823)	(68 023 823)	81 179 365	13 155 542
Balance at 30 June 2009	-	-	-	97 567 043	97 567 043

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Cash Flow Statement

Figures in Rand	Note(s)	2009	2008
Cash flows from operating activities			
Cash receipts from customers		51 551 463	54 793 070
Cash paid to suppliers and employees		(30 962 508)	(49 022 126)
Cash generated from operations	33	20 588 955	5 770 944
Interest income		3 909 693	4 279 125
Dividends received		9 830	-
Finance costs		(94)	(51 759)
Net cash from operating activities		24 508 384	9 998 310
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(10 396 780)	(6 909 434)
Non-cash movement - asset adjustments		(6 951 039)	-
Purchase of other intangible assets	4	(250 000)	-
Sale of financial assets		(3 564 384)	(3 099 307)
Net cash from investing activities		(21 162 203)	(10 008 741)
Cash flows from financing activities			
Repayment of other financial liabilities		70 502	(109 437)
Movement in loans to managers and employees		(306)	150 934
Finance lease payments		(142 443)	(74 090)
Other non-cash item - adjustment of prior period errors		-	684 879
Net cash from financing activities		(72 247)	652 286
Total cash movement for the year		3 273 934	641 855
Cash at the beginning of the year		9 240 220	8 598 365
Net increase (decrease) in cash and cash equivalents	12	12 514 154	9 240 220

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

These accounting policies are consistent with the previous period.

1.1 Investment property

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the municipality, and the cost of the investment property can be measured reliably.

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

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.

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

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 municipality elected to make use of the transitional provisions, contained in Directive 4, regarding the Standard of GRAP on Investment Property, issued by the Accounting Standards Board, whereby the municipality is not required to measure investment properties for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment Property.

1.2 Property, plant and equipment

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

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

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.

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

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 shall be 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.

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.2 Property, plant and equipment (continued)

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.

The municipality elected to make use of the transitional provisions, contained in Directive 4, regarding the Standard of GRAP on Property, Plant and Equipment, issued by the Accounting Standards Board, whereby 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.

1.3 Landfill site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore their landfill sites. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of the landfill site includes the initial estimate of the costs of dismantling and restoring the site.

1.4 Intangible assets

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.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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.
- 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.

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. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a definite 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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are derecognised:

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

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.4 Intangible assets (continued)

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.

The municipality elected to make use of the transitional provisions, contained in Directive 4, regarding the Standard of GRAP on Intangible Assets, issued by the Accounting Standards Board, whereby 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.

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 - designated
- Loans and receivables
- 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, 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.

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value.

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

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

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.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.5 Financial instruments (continued)

At each end of the reporting period the municipality 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 municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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.

Financial instruments designated as at fair value through profit and loss

The municipality designated their money market income fund investment as at fair value through surplus or deficit. The basis for the designation is due to the fact that the fund's units are traded on the Johannesburg Stock Exchange. The municipality has not taken a decision whether the units will be sold or not.

Loans to 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. Amortised cost is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.5 Financial instruments (continued)

Financial liabilities

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value.

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, 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' 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

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.5 Financial instruments (continued)

significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether 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 – 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.

The 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.

Operating leases - lessor

Operating lease income is recognised as an income 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 income.

Income for leases is disclosed under revenue in the 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. This liability is not discounted.

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

1.7 Inventories

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

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 entity.

1.8 Impairment of assets

The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.8 Impairment of assets (continued)

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

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.

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.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.9 Employee benefits (continued)

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the statement of financial performance over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of financial performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

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 will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be 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 business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.10 Provisions and contingencies (continued)

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

1.11 Government grants

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement (separately).

1.12 Revenue from exchange transactions

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

- the municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits 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.

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 statement of financial position 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 associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably;
- and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be 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 statement of financial position date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Contract revenue comprises:

- the initial amount of revenue agreed in the contract; and
- variations in contract work, claims and incentive payments:
 - to the extent that it is probable that they will result in revenue; and
 - they are capable of being reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends 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.

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.13 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 the issuing of fines is recognised when:

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

1.14 Grants, transfers and donations

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.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably.

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

1.15 Investment income

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

1.16 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 temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity 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:

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

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.

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

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- 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

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Accounting Policies

1.18 Unauthorised expenditure (continued)

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.

1.19 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.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of Estimates

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

1.22 Presentation of Currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

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

1.24 Conditional Grants and receipts

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

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand 2009 2008

2. Investment property

The municipality elected to make use of the transitional provisions, contained in Directive 4, regarding the Standard of GRAP on Investment Property, issued by the Accounting Standards Board, whereby the municipality is not required to measure investment properties for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment Property.

Investment properties have been identified, although the municipality is still engaged in the evaluation (measuring) process of these properties.

3. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	8 160 000	-	8 160 000	1 000 000	-	1 000 000
Buildings	21 461 154	(4 698 762)	16 762 392	20 970 203	(4 698 762)	16 271 441
Infrastructure	59 923 170	(18 839 196)	41 083 974	45 468 361	(19 167 376)	26 300 985
Community	6 242 992	(1 695 644)	4 547 348	5 057 400	(1 695 644)	3 361 756
Other property, plant and equipment	10 020 299	(6 423 698)	3 596 601	9 780 144	(6 440 218)	3 339 926
Total	105 807 615	(31 657 300)	74 150 315	82 276 108	(32 002 000)	50 274 108

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Other changes, movements	Total
Land	1 000 000	-	7 160 000	8 160 000
Buildings	16 271 441	490 951	-	16 762 392
Infrastructure	26 300 985	8 418 417	6 364 572	41 083 974
Community	3 361 756	1 185 592	-	4 547 348
Other property, plant and equipment	3 339 926	301 820	(45 145)	3 596 601
	50 274 108	10 396 780	13 479 427	74 150 315

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Other changes, movements	Depreciation	Total
Land	1 000 000	-	-	-	1 000 000
Buildings	16 799 578	218 405	-	(746 542)	16 271 441
Infrastructure	30 096 985	5 948 889	(8 971 453)	(773 436)	26 300 985
Community	3 555 469	-	-	(193 713)	3 361 756
Other property, plant and equipment	3 244 862	742 140	186 311	(833 387)	3 339 926
	54 696 894	6 909 434	(8 785 142)	(2 547 078)	50 274 108

Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	261 312	306 457
-------------------------------------	---------	---------

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.

The municipality elected to make use of the transitional provisions, contained in Directive 4, regarding the Standard of GRAP on Property, Plant and Equipment, issued by the Accounting Standards Board, whereby the municipality is not

Emalaheni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand

2009

2008

3. Property, plant and equipment (continued)

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.

As a result of the above, the municipality has not provided for depreciation on property, plant and equipment in the current year, since the assessment of the useful lives of items of property, plant and equipment have not been finalised yet.

An asset take-on for electricity infrastructure identified, to the amount of R6,364,572 was carried out.

4. Intangible assets

	2009			2008		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	250 000	-	250 000	-	-	-

Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Total
Computer software	-	250 000	250 000

5. Other financial assets

At fair value through profit or loss - designated

Unit trusts	37 203 489	33 639 105
Consisting of: Stanlib Money Market Income Feeder Fund		

Current assets

At fair value through profit or loss	37 203 489	33 639 105
--------------------------------------	------------	------------

The fair values of the investments are based on the quoted market price.

Fair values are determined annually at statement of financial position date.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

The Stanlib Money Market Income Fund was previously included under cash and cash equivalents. During the current year it was decided to reclassify the fund as current assets at fair value through profit and loss, due to the fact that the fund's units trade daily on the Johannesburg Stock Exchange. This does not constitute a reclassification from cost/amortised cost to fair value, since cash and cash equivalents are measured and disclosed at fair value.

6. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2009

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Other financial assets	-	37 203 489	37 203 489
Loans to managers and employees	77 301	-	77 301
Trade and other receivables	5 890 748	-	5 890 748

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
6. Financial assets by category (continued)		
Cash and cash equivalents	12 514 154	- 12 514 154
	18 482 203	37 203 489
		55 685 692

2008

	Loans and receivables	Fair value through surplus or deficit - designated	Total
Other financial assets	-	33 639 105	33 639 105
Loans to managers and employees	76 995	-	76 995
Trade and other receivables	1 122 311	-	1 122 311
Cash and cash equivalents	9 240 220	-	9 240 220
	10 439 526	33 639 105	44 078 631

7. Retirement benefits

Defined benefit plan

The plan is a post employment defined medical benefit plan.

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes: Bonitas, LA Health, Key Health and SAMWU Medical Aid.

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(850 296)	(850 296)
---	-----------	-----------

Net expense recognised in the statement of financial performance

Past service cost	-	850 296
-------------------	---	---------

8. Other current asset

During 2003 the ownership of the water and sanitation functions' assets and liabilities were transferred to the Chris Hani District Municipality. The water and sanitation services are, however, still provided by Emalahleni municipality. An agency account was therefore created wherein the income, expenses, assets and liabilities relating to the abovementioned services are recorded, accumulated and accounted for.

The agency account is not classified as a financial instrument due to the absence of any cashflows between the Chris Hani District municipality and Emalahleni municipality (the two parties to the arrangement).

Prior year figures have been adjusted and re-stated in terms of prior year errors - refer to note 35 .

Amounts due:

Chris Hani District Municipality - agency account	79 380	9 454 704
---	--------	-----------

9. Inventories

Consumable stores	166 706	82 180
-------------------	---------	--------

10. Loans to managers and employees

Loans to managers and employees		
At beginning of the year	76 995	63 291

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
10. Loans to managers and employees (continued)		
Advances	24 837	13 704
Repayments	(24 531)	-
	77 301	76 995

The loans to managers and employees consist of staff debt, study loans and car loans. Study loans bear no interest and is repayable within 1 year. Car loans bear interest at prime rate and are repayable over 5 years.

An adjustment of R41,738 for staff debt were made in terms of a correction of prior year errors. Refer to note 35.

11. Trade and other receivables from exchange transactions

Trade debtors	6 608 691	967 253
Other receivables	110 424	170 246
Recoverable fruitless and wasteful expenditure	78 001	20 897
	6 797 116	1 158 396

Amounts receivable from consumer debtors relating to water and sanitation services have been re-allocated to the agency account. Refer to note 8 explaining the creation of an agency account.

As a result to the above, the prior year amounts have also been re-stated - refer to note 35

Reconciliation of provision for impairment of trade and other receivables

Opening balance	25 007 657	27 216 252
Provision for impairment	-	19 333 736
Unused amounts reversed	(906 368)	(6 674 419)
Re-allocation to agency account	-	(14 867 912)
Other	(21 901)	-
	24 079 388	25 007 657

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance (note 28). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The fair value of trade and other receivables approximates their carrying amounts.

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 300	4 299
Bank balances	11 633 885	8 493 269
Short-term deposits	875 969	742 652
	12 514 154	9 240 220

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Standard Bank - Current Account - 082-665-958	10 986 066	5 726 256	10 986 001	5 726 256
Standard Bank - Current Account - 082-630-631	1 343 705	190 045	527 957	2 638 842
First National Bank - Current Account - 620-4898-6428	119 928	73 532	119 928	99 905
Total	12 449 699	5 989 833	11 633 886	8 465 003

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
12. Cash and cash equivalents (continued)		
13. Finance lease obligation		
Minimum lease payments due		
- within one year	97 296	97 296
- in second to fifth year inclusive	267 564	364 860
- later than five years	-	-
	364 860	462 156
less: future finance charges	(45 001)	(76 684)
Present value of minimum lease payments	319 859	385 472
Non-current liabilities	150 687	263 898
Current liabilities	71 609	66 158
	222 296	330 056

The lease term of the finance lease is 5 years and the average effective borrowing rate is 11.25%. Loan repayments are escalated by 10% annually.

14. Deferred income / Unspent conditional grants and receipts

Deferred income comprises:

Conditional grants and receipts

Municipal Infrastructure Grants	10 169 685	3 385 406
Other grants	10 268 738	11 899 447
	20 438 423	15 284 853

Movement during the year

Balance at the beginning of the year	15 284 853	14 305 909
Additions during the year	22 901 542	18 387 629
Income recognition during the year	(17 747 972)	(17 408 685)
	20 438 423	15 284 853

See Appendix F for a reconciliation of grants from National, Provincial and other spheres of Government.

These amounts are invested in a ring-fenced investment until utilised.

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand 2009 2008

15. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation	-	7 160 000	-	(70 502)	7 089 498
Provision for performance bonuses	249 649	-	(249 649)	-	-
Provision for pro-rata bonuses	-	253 419	-	-	253 419
	249 649	7 413 419	(249 649)	(70 502)	7 342 917

Reconciliation of provisions - 2008

	Opening Balance	Additions	Total
Provision for performance bonuses	-	249 649	249 649

The provision for the rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at 8.93% over one year.

16. Trade and other payables from exchange transactions

Trade payables	2 054 079	814 435
Accrued leave	629 085	859 930
	2 683 164	1 674 365

The fair value of trade and other payables approximates their carrying amounts.

17. Taxes and transfers payable

VAT payables	2 095 921	1 086 587
--------------	-----------	-----------

Amounts payable and receivable to/from SARS relating to VAT have been off-set. These amounts are payable or receivable to/from the same entity (SARS) that also off-sets amounts payable and receivable to the municipality.

18. Consumer deposits

Electricity	38 401	38 401
-------------	--------	--------

19. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2009

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Trade and other payables	4 779 071	-	-	4 779 071
Finance lease obligation - current and non-current	222 296	-	-	222 296
Consumer deposits	38 401	-	-	68 401
Deferred income / Unspent conditional grants and receipts	20 438 423	-	-	20 438 423

Emalaheni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand 2009 2008

19. Financial liabilities by category (continued)

25 478 191 - - 25 508 191

2008

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Fair value through surplus or deficit - designated	Total
Trade and other payables	2 760 938	-	-	2 760 938
Finance lease - current and longterm	330 056	-	-	330 056
Consumer deposits	38 401	-	-	38 401
Deferred income / Unspent conditional grants and receipts	15 284 853	-	-	15 284 853
	18 414 248	-	-	18 414 248

20. Revenue

Rendering of services		7 004 930	7 036 672
Rental Income		509 281	419 656
Interest received		1 366 771	2 085 765
Licences and permits		953 096	281 353
Government grants		49 175 066	41 943 353
		59 009 144	51 766 799

21. Property Rates

Rates received

Rateable properties	1 961 120	2 243 685
---------------------	-----------	-----------

Valuations

Other	201 534 659	201 534 659
-------	-------------	-------------

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2003.

A general rate of 1.8c per Rand (2008: 1.8c) is applied to property valuations to determine assessment rates. Rates are levied on a monthly basis with the final date for payment being the 15th of the following month. Interest at prime plus 1% per annum is levied on outstanding monthly instalments.

22. Service charges

Sale of electricity	2 802 948	2 500 583
Refuse removal	2 240 862	2 292 404
	5 043 810	4 792 987

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
23. Government grants and subsidies		
Equitable share	31 427 093	24 534 668
Municipal Infrastructure Grant	8 015 800	5 838 610
Other Government Grants and subsidies	9 732 173	11 570 075
	49 175 066	41 943 353
Government grants		
Balance unspent at beginning of year	15 284 853	14 305 909
Current-year receipts	22 901 542	18 387 629
Conditions met - transferred to revenue	(17 747 972)	(17 408 685)
	20 438 423	15 284 853
<p>In terms of the Constitution, the Equitable share is used to subsidise the provision of basic services to indigent community members.</p> <p>The municipality complied with the conditions of all grants to the extent of revenue recognised. No grants were withheld due to non-compliance or any other reason.</p>		
24. Other income		
Commissions received	185 733	150 273
Sundry income	292 555	215 389
	478 288	365 662
25. General expenses		
Advertising	95 876	81 937
Auditors remuneration	920 890	9 369
Bank charges	382 861	346 050
Cleaning	152 871	78 550
Computer expenses	-	2 641
Consulting and professional fees	409 459	295 612
Consumables	133 233	279 461
Entertainment	16 486	186 611
Hire	500	-
Insurance	349 100	256 269
Conferences and seminars	235 075	-
Lease rentals on operating lease	97 468	150 131
Marketing	21 261	4 500
Magazines, books and periodicals	5 296	17 861
Fuel and oil	858 879	750 091
Postage and courier	57 976	5 207
Printing and stationery	120 699	263 109
Protective clothing	4 049	29 820
Security (Guarding of municipal property)	350 515	433 922
Subscriptions and membership fees	98 290	190 901
Telephone and fax	974 174	801 370
Transport and freight	134 380	118 737
Training	272 312	406 928
Travel - local	503 218	479 699
Electricity	264 489	152 286
Housing	307 604	-
Expenditure - government grants	10 354 242	11 299 112
Other	1 942 448	1 019 304
	19 063 651	17 659 478

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
26. Employee related costs		
Basic	9 262 254	8 331 126
Bonus	689 502	913 524
Medical aid	496 973	1 231 689
UIF	81 500	64 516
WCA	118 426	69 451
SDL	148 470	150 392
Leave pay	130 201	581 748
Pension	1 376 672	1 085 083
Travel, motor car, accommodation, subsistence and other allowances	377 792	517 872
Overtime payments	490 205	442 938
Acting allowances	113 233	6 250
Transport allowance	676 915	843 261
Housing benefits and allowances	153 922	7 720
Industrial Council contributions	3 712	4 559
Telephone allowance	116 979	102 300
Standby allowance	3 903	-
	14 240 659	14 352 429
Remuneration of municipal manager		
Annual Remuneration	443 232	434 831
Travel, motor car, accommodation, subsistence and other allowances	150 000	144 100
Performance and other bonuses	75 089	-
Contributions to UIF, Medical and Pension Funds	110 632	70 105
Other	54 670	188 556
	833 623	837 592
Remuneration of chief finance officer		
Annual Remuneration	385 140	328 897
Travel, motor car, accommodation, subsistence and other allowances	85 312	114 061
Performance and other bonuses	55 831	43 067
Contributions to UIF, Medical and Pension Funds	89 127	78 638
Other	-	72 000
	615 410	636 663
Remuneration of technical services manager		
Annual Remuneration	353 983	195 405
Travel, motor car, accommodation, subsistence and other allowances	118 847	98 334
Performance Bonuses	-	60 977
Contributions to UIF, Medical and Pension Funds	36 318	42 040
Other	-	70 042
	509 148	466 798
Remuneration of corporate services manager		
Annual Remuneration	407 256	291 862
Travel, motor car, accommodation, subsistence and other allowances	84 000	109 778
Performance and other bonuses	62 192	-
Contributions to UIF, Medical and Pension Funds	68 937	29 758
Other	30 288	40 384
	652 673	471 782

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand

	2009	2008
--	------	------

26. Employee related costs (continued)

Remuneration of community services manager

Annual Remuneration	108 989	236 340
Travel, motor car, accommodation, subsistence and other allowances	32 778	98 334
Performance Bonuses	-	30 988
Contributions to UIF, Medical and Pension Funds	16 999	400
Other	-	70 041
	158 766	436 103

Remuneration of IPED manager

Annual Remuneration	145 373	230 571
Travel, motor car, accommodation, subsistence and other allowances	54 630	98 334
Performance Bonuses	-	49 582
Contributions to UIF, Medical and Pension Funds	33 410	6 868
Other	-	70 041
	233 413	455 396

Remuneration of strategic manager

Annual Remuneration	415 553	373 656
Travel, motor car, accommodation, subsistence and other allowances	131 112	131 112
Performance and other bonuses	56 538	43 066
Contributions to UIF, Medical and Pension Funds	13 529	13 503
Other	40 384	112 384
	657 116	673 721

27. Remuneration of councillors

Executive Major	502 084	505 524
Executive Committee Members	1 150 334	759 905
Speaker	392 663	321 199
Councillors	3 114 554	3 149 277
Councillors' pension contribution	581 915	506 458
	5 741 550	5 242 363

In-kind benefits

The Executive Mayor, Speaker and Executive Committee Members are full-time. The Executive Mayor and Speaker are provided with offices and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle and a driver for official duties.

28. Debt impairment

Bad debts	11 642 896	19 333 736
-----------	------------	------------

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
29. Investment revenue		
Dividend revenue		
Unit trusts - Local	9 830	-
Interest revenue		
Unit trusts	3 851 690	-
Bank	58 003	4 279 125
	3 909 693	4 279 125
	3 919 523	4 279 125
30. Depreciation and amortisation		
Property, plant and equipment	-	2 547 077
<p>The municipality has not provided for depreciation on property, plant and equipment in the current year, since the assessment of the useful lives of items of property, plant and equipment have not been finalised yet. (The municipality is applying the transitional provisions of Directive 4 in terms of the GRAP standard on Property, Plant and Equipment).</p>		
31. Finance costs		
Non-current borrowings	-	51 759
Finance leases	34 683	-
Bank	94	-
	34 777	51 759
32. Bulk purchases		
Electricity	4 174 752	3 028 793
33. Cash generated from operations		
Surplus (deficit) before taxation	6 627 155	(6 804 175)
Adjustments for:		
Depreciation and amortisation	-	2 547 077
Discounting of provision for landfill site rehabilitation	(70 502)	-
Dividends received	(9 830)	-
Interest received	(3 909 693)	(4 279 125)
Finance costs	34 777	51 759
Movements in retirement benefit assets and liabilities	-	850 296
Movements in provisions	7 093 268	249 649
Changes in working capital:		
Inventories	(84 526)	-
Trade and other receivables from exchange transactions	(5 638 720)	15 614 198
Other current asset	9 375 324	(4 163 693)
Trade and other payables from exchange transactions	1 008 798	72 673
VAT	1 009 334	(2 735 445)
Deferred income / Unspent conditional grants and receipts	5 153 570	4 367 730
	20 588 955	5 770 944

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand

2009

2008

34. Contingencies

Various litigation matters are in the process and the municipality's lawyers are dealing with them on behalf of the municipality. The following is a breakdown of the matters:

- Emalahleni municipality vs Dyers Auto Clinic. Amount involved is R79,059.
- Emalahleni municipality vs MP Hoco. Amount involved is R81,892.
- Emalahleni municipality vs AL van Heerden. Amount not known yet since summons have not been issued yet.
- Emalahleni municipality vs Mthandazo Theo Mahola. Amount involved is R40,000.
- Emalahleni municipality vs Ikamva Construction. Amount involved is R358,820.

The outcome of none of the above matters can be reliably estimated.

The municipality is in the process of assessing the performance of its managers in order to establish whether managers are eligible for performance bonuses, and if so, at what amount. Therefore no provision has been made to date. It is anticipated that if performance bonuses would be awarded, it would be more or less in line with the 2008 bonus payout of R229,000.

35. Prior period errors

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality:

Loans to managers and employees: Staff debt to the amount of R41,738 was omitted in the prior year. The balance was corrected in the current year and the comparative amount was re-stated.

Trade and other receivables from exchange transactions: Previously amounts receivable in respect of the water and sanitation services lines were included in this line item. During the current year a Chris Hani District Municipality agency account was created (See other current asset - note 8) due to responsibilities for these services which were transferred to the district municipality in 2003. Trade and other receivables from exchange transactions was previously reported at R10,557,201. A net adjustment to the opening balance of Accumulated surplus to the amount of R9,398,805 was the result. Furthermore, amounts receivable in respect of property rates (R7,439,512) were previously stated as receivables from non-exchange transaction. These amounts have been re-classified as receivables from non-exchange transactions.

Property, plant and equipment: In the prior year, water and sanitation infrastructure with a carrying value of R8,971,453 was re-allocated to the accumulated surplus, due to the abovementioned transfer of services. This was adjusted and re-allocated to the agency account.

Finance lease obligation - Current and Non-current: Previously, at the inception of the lease, the finance lease obligation and the leased asset were not recognised at the lowest of the fair value of the asset or the present value of the minimum lease payments. An adjustment to the amount of R25,312 were made to the opening balance of the accumulated surplus.

Taxes and transfers payable: During the current year a VAT audit was done by SARS. An adjustment to the opening balance of accumulated surplus the amount of R57,646.77 were done.

Deferred income / unspent conditional grants and receipts: An unspent conditional grant for sewerage ponds to the amount of R882,335 was transferred to the agency account.

Various other immaterial errors were corrected in the current year and the corresponding comparative amounts were adjusted.

The correction of the errors resulted in adjustments as follows:

Statement of financial position

Finance lease obligation	-	25 313
Other current asset	-	9 454 704
Trade and other payables	-	(474 928)
Loans to managers and employees	-	41 738
Taxes and transfer payable	-	57 646
Deferred income / unspent conditional grants and receipts	-	882 335
Other	-	(78 249)

Statement of financial performance

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
35. Prior period errors (continued)		
Water and sanitation income and expenditure	-	(3 932 672)
Accumulated surplus adjustment	-	5 975 887

36. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Services to customers are settled in cash or using major credit cards.

37. Events after the reporting date

There were no significant events after the reporting date.

38. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	46 900	-
------------------------------------	--------	---

A payment was made to a fraudster posing as a creditor of the municipality. The issue was reported to the police. No disciplinary steps were taken against employees.

39. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
39. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Amount paid - current year	920 890	9 369
VAT		
VAT payable	2 095 921	1 086 587

Net VAT output payables and VAT input receivables are shown in note 17.

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2009:-

30 June 2009	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
S.M. Limba	-	14 060	14 060
A. Yawa	360	-	360
M. Godla	-	650	650
	360	14 710	15 070

40. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

41. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E2 for the comparison of actual capital expenditure versus budgeted expenditure.

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009
Appendix A: Schedule of external loans

EMALAHLENI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
30 June 2009

EXTERNAL LOANS	Effective Rate	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009
			R	R	R	R
LEASE LIABILITY Finance lease - Stannic	11%	31 March 2012	330 056	-	107 760	222 296
TOTAL EXTERNAL LOANS			330 056	-	107 760	222 296

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix B: Analysis of Property, plant and equipment

Emalaheni Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix C: Segmental analysis of Property, plant and equipment

EMALAHLENI MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
30 June 2009

	Opening Balance		Cost / Revaluation		Closing Balance		Opening Balance		Accumulated Depreciation		Closing Balance		Other movements		Carrying value
	R		R	Under Construction	R		R		R	Additions	R	Disposals	R		R
Executive & Council	310 304	-	-	-	310 304	-	(32 646)	-	-	-	-	(32 646)	-	-	277 658
Finance & Admin	30 237 086	792 771	-	-	31 029 857	-	(10 635 667)	-	-	-	-	(10 635 667)	(45 145)	-	20 349 045
Planning & Development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community & Social Services	3 707 810	1 185 592	-	-	4 893 402	-	(1 465 193)	-	-	-	-	(1 465 193)	-	-	3 428 209
Public Safety	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport & Recreation	2 152 548	-	-	-	2 152 548	-	(680 406)	-	-	-	-	(680 406)	-	-	1 472 142
Environmental Protection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	492 000	7 160 000	-	-	7 652 000	-	(328 180)	-	-	-	-	(328 180)	(163 820)	-	7 160 000
Road Transport	37 101 887	1 481 985	-	6 936 431	45 520 303	-	(10 970 721)	-	-	-	-	(10 970 721)	-	-	34 549 582
Water	8 264 474	-	-	-	8 264 474	-	(7 885 186)	-	-	-	-	(7 885 186)	6 528 393	-	6 907 681
Electricity	10 000	-	-	-	10 000	-	(4 002)	-	-	-	-	(4 002)	-	-	5 998
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	82 276 109	10 620 348	6 936 431	6 936 431	99 832 888	(32 002 001)	(32 002 001)	(32 002 001)	-	-	(32 002 001)	(32 002 001)	6 319 428	74 150 315	

Emalaheni Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

EMALAHLENI MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
30 June 2009

2008		2008		2009		2009	
Actual Income	2008 Actual Expenditure	2008 Surplus / (Deficit)	2008 Actual Expenditure	2009 Actual Income	2009 Actual Expenditure	2009 Surplus / (Deficit)	2009 Surplus / (Deficit)
R	R	R	R	R	R	R	R
1 567 121	8 781 817	(7 214 696)	8 781 817	1 861 117	8 755 286	(6 894 169)	(6 894 169)
33 146 099	32 510 932	635 167	32 510 932	37 627 241	28 418 507	9 208 734	9 208 734
64 285	1 040 192	(975 907)	1 040 192	4 075 298	4 875 905	(800 608)	(800 608)
-	-	-	-	-	-	-	-
133 339	1 459 230	(1 325 891)	1 459 230	875 249	1 715 311	(840 062)	(840 062)
8 723 981	9 378 543	(654 562)	9 378 543	3 612 180	4 504 343	(892 163)	(892 163)
76 320	315 001	(238 681)	315 001	170 300	272 821	(102 521)	(102 521)
3 473 682	2 153 221	1 320 461	2 153 221	3 171 370	1 941 627	1 229 743	1 229 743
6 620 578	3 808 354	2 812 224	3 808 354	8 015 800	1 233 916	6 781 883	6 781 883
2 666 282	3 828 572	(1 162 290)	3 828 572	4 373 643	5 437 326	(1 063 683)	(1 063 683)
-	-	-	-	-	-	-	-
56 471 687	63 275 862	(6 804 175)	63 275 862	63 782 197	57 155 043	6 627 155	6 627 155
-	-	-	-	-	-	-	-
56 471 687	63 275 862	(6 804 175)	63 275 862	63 782 197	57 155 043	6 627 155	6 627 155

Executive & Council
Finance & Admin
Planning & Development
Health
Community & Social Services
Housing
Sport & Recreation
Environmental Protection
Waste Management
Road Transport
Water
Electricity
Other
Less: Inter-Department Charges
Total

Emalaheni Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

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

EMALAHLENI MUNICIPALITY

**APPENDIX E1
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2009**

	Actual 2009		Budget 2009		Variance	Variance %	Explanation of Significant Variances Greater than 10% versus Budget
	R	R	R	R			
REVENUE							
Property Rates	1 961 120		1 362 815	598 305	44%		
Service charges	5 043 810		9 038 648	(3 994 838)	-44%	The budget includes amounts for water and sanitation services which have been allocated to the agency account	
Rental income	509 281		542 872	(33 591)	-6%		
Interest received - outstanding receivables	1 366 771		3 349 150	(1 982 379)	-59%	The budget includes amounts for water and sanitation services which have been allocated to the agency account	
Interest received - external investments	3 909 693		2 234 975	1 674 718	75%	Higher level of cash and short term investments than budgeted for	
Licences and permits	953 096		15 011	938 085	6249%		
Government grants	49 175 066		100 629 399	(51 454 333)	-51%	Planned projects did not materialise	
Other income	558 620		353 531	205 089	58%		
Total Income	63 477 457		117 526 401	(54 048 944)	-46%		
EXPENDITURE							
Employee related costs	14 240 659		24 041 179	(9 800 520)	-41%	The budget includes amounts for water and sanitation services which have been allocated to the agency account	
Remuneration of Councillors	5 741 550		6 231 903	(490 353)	-8%		
Debt impairment	11 642 896		6 000 000	5 642 896	94%	Higher levels of debt than anticipated	
Depreciation	-		623 325	(623 325)	-100%	The municipality has elected to make use of the transitional provisions of Directive 4 i.t.o GRAP 17, whereby property, plant and equipment does not need to be measured for a period of 3 years after the implementation of GRAP.	
Finance costs	34 777		1 120 000	(1 085 223)	-97%	Budgeted for the receipt of a DBSA loan, which did not materialise	
Repairs and maintenance	1 740 281		3 786 140	(2 045 859)	-54%	The budget includes amounts for water and sanitation services which have been allocated to the agency account	
Bulk purchases	4 174 752		4 135 649	39 103	1%		
Operating grant expenditure	10 323 393		46 924 081	(36 600 688)	-78%		
General expenses	8 951 994		21 680 927	(12 728 933)	-59%	Planned projects did not materialise	
Total Expenditure	56 850 302		114 543 204	(57 692 902)	-50%		
NET SURPLUS/(DEFICIT) FOR THE YEAR	6 627 155		2 983 197	3 643 958	122%		

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

EMALAHLENI MUNICIPALITY

**APPENDIX E2
ACTUAL VERSUS BUDGET: ACQUISITION OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	2009 Actual		2009 Under construction		2009 Total additions		2009 Budget		Variance		Variance %	Explanation of Significant Variances Greater than 5% versus Budget
	R		R		R		R		R			
Land	-	-	-	-	-	-	-	-	-	-	-	
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	
Buildings	490 951	-	-	-	490 951	-	20 509 727	(20 018 776)	-98%	Not sufficient capacity to implement		
Infrastructure	1 481 985	-	6 936 431	-	8 418 416	-	11 238 711	(2 820 295)	-25%	Not sufficient capacity to implement		
Roads	-	-	-	-	-	-	200 000	(200 000)	-100%			
Electricity Mains	-	-	-	-	-	-	-	-	-			
Reservoirs/Tanks/Pumps	-	-	-	-	-	-	-	-	-			
Taxi Ranks	-	-	-	-	-	-	-	-	-			
Airfield	-	-	-	-	-	-	-	-	-			
Community Assets	1 481 985	-	6 936 431	-	8 418 416	-	11 438 711	(3 020 295)	-125%			
Parks & Gardens	-	-	-	-	-	-	20 960	(20 960)	-100%	Not sufficient capacity to implement		
Libraries	-	-	-	-	-	-	-	-	-			
Recreation Grounds	-	-	-	-	-	-	-	-	-			
Civic Buildings	-	-	-	-	-	-	-	-	-			
Halls	-	-	-	-	-	-	-	-	-			
Pre-Schools	1 185 592	-	-	-	1 185 592	-	4 296 067	(3 110 475)	-72%	Not sufficient capacity to implement		
Arts & Craft	-	-	-	-	-	-	-	-	-			
Cemeteries	-	-	-	-	-	-	-	-	-			
Other Assets	1 185 592	-	-	-	1 185 592	-	4 317 027	(3 131 435)	-172%			
Office Equipment	143 874	-	-	-	143 874	-	-	143 874	-			
Furniture & Fittings	17 955	-	-	-	17 955	-	553 514	(535 559)	-97%	Not sufficient capacity to implement		
Plant and Equipment	139 991	-	-	-	139 991	-	190 736	(50 745)	-27%	Not sufficient capacity to implement		
Motor vehicles	-	-	-	-	-	-	1 041 000	(1 041 000)	-100%	Not sufficient capacity to implement		
Specialised vehicles	-	-	-	-	-	-	-	-	-			
Computer Equipment	-	-	-	-	-	-	275 000	(275 000)	-100%	Not sufficient capacity to implement		
Loose equipment	-	-	-	-	-	-	-	-	-			
TOTAL	3 460 348	-	6 936 431	-	10 396 779	-	38 325 715	(27 928 936)	-718%			

Emalahleni Municipality

Annual Financial Statements for the year ended 30 June 2009

Supplementary Information

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

EMALAHLENI MUNICIPALITY
APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2009

Grant Description	Unspent balance 30 June 2008	Contributions	Transfers	Operating expenditure during the year transferred to revenue	Capital expenditure during the year transferred to revenue	Unspent balance at 30 June 2009	Complied with conditions
	R	R	R	R	R	R	
Town Establishment	7 010					7 010	Yes
Upgrading services	26 859					26 859	Yes
Upgrading streets	14 598			-5 224		9 372	Yes
Town scheme planning	62 760					62 760	Yes
Structure plan	51 364					51 364	Yes
Local Economic Development	219 168					219 168	Yes
Layout plan	39 392					39 392	Yes
Consolidated Municipal Infrastructure Programme	148 904					148 904	Yes
Integrated Development Plan	328 135			-88 375		239 760	Yes
Property Valuation Fund	701 357			-235 701		465 656	Yes
Clean up campaign	22 381					22 381	Yes
Care Givers Emalahleni	518 925					518 925	Yes
HIV/AIDS - Chris Hanani District Municipality (prior years)	10 204					10 204	Yes
LG SETA	16 403					16 403	Yes
National Energy Regulator Funds	110 437					110 437	Yes
Training Ward Committees DPLG	111 393			-111 393		-	Yes
Transitional grant	273					273	Yes
TRC Funds Ukhahlamba District Municipality	1 345 107					1 345 107	Yes
Imbizo	121 566					121 566	Yes
Emalahleni projects	996 858					996 858	Yes
Council Chambers (REDZ)	967 753					967 753	Yes
Livestock marketing cost	463 446			-21 649		441 797	Yes
Eliftheni coal mine	1 000 000			-311 355		688 645	Yes
Thatshu irrigation	295 350			-69 054		226 296	Yes
Khuthalani Agric Cooperative	100 000		-100 000			-	Yes
Municipal Systems Improvement Grant (2006/07)	154 678			-134 860		19 818	Yes
Financial Management Grant (2006/07)	1 415 830			-274 245		1 141 585	Yes
Indwe 500 units	39 650			-28 667		10 983	Yes
700 Erfs Lady Frere	35 717					35 717	Yes
1000 Dordrecht Housing project	20 788			-20 788		-	Yes
513 Houses and services	3 181			-3 181		-	Yes
New office building	47 324					47 324	Yes
Financial Management Grant (2007/08)	40 679			-40 679		-	Yes
Municipal Systems Improvement Grant (2007/08)	615 473			-548 968		66 505	Yes
Municipal Support Programme (2007/08)	301 889			-174 254		127 635	Yes
Municipal Infrastructure Grant (2007/08)	2 385 406				-92 905	2 292 501	Yes
Housing (2007/08)	897 579			-897 579		-	Yes
HIV/AIDS - Chris Hanani District Municipality (2007/08)	130 000	26 640				156 640	Yes
Municipal Infrastructure Grant (2008/09)	1 008 000	9 074 000			-7 922 895	2 159 105	Yes
Maqubela Pre-School	509 017			-42 452		466 565	Yes
Independent Electoral Commission (2008/09)		293 000		-79 534		213 466	Yes
Disaster Fund		4 650				4 650	Yes
CHDM - Massive Food Production		4 000 000		-3 214 445		785 555	Yes
Other Chris Hanani District Municipality Grants		195 000				195 000	Yes
Housing (2008/09)		1 411 504		-2 432 040		-1 020 536	Yes
Financial Management Grant (2008/09)		500 000		-466 103		33 897	Yes
Municipal Systems Improvement Grant (2008/09)		735 000		-20 478		714 522	Yes
Special Programmes Unit Grant (2008/09)		163 580				163 580	Yes
LG SETA (2008/09)		65 087		-16 403		48 684	Yes
Libraries (2008/09)		430 403		-210 145		220 258	Yes
Municipal Infrastructure Grant (2009/10)		6 002 679		-284 600		5 718 079	Yes
Sorghum project			100 000			100 000	Yes
TOTAL	15 284 852	22 901 543	-	-9 732 172	-8 015 800	20 438 423	