

Annual Financial Statements

for

Engcobo Local Municipality

for the year ended 30 June: **2009**

Province:

Eastern Cape

AFS rounding:

R (i.e. only cents)

Contact Information:	
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Engcobo Local Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2009

General information

Members of the Council

L. Jiyose	Mayor
S. Mbolo	Speaker
N. Macingwane	Finance - Chairperson
N. Noludwe	Infrastructure Development - Chairperson
M. Mbenyane	LED & Administration - Chairperson & Councillor - Ward 8
S. Marenene	Social Needs - Chairperson
N. Gedeni	SPU & Housing - Chairperson
Y. Ponoshe	PR Councillor ANC & Chief Whip
A.T. Sobuza	Councillor - Ward 1
Z. Makhasi	Councillor - Ward 2
S. Ndude	Councillor - Ward 3
T. Mbekeni	Councillor - Ward 4
S.C Dotwana	Councillor - Ward 5
S. Guma	Councillor - Ward 6
N.F. Qhina	Councillor - Ward 7
M. Sakhi	Councillor - Ward 9
M. Nyalaba	Councillor - Ward 10
T. Dangazele	Councillor - Ward 11
N.P.B. Ntsodo	Councillor - Ward 12
M. Mayekiso	Councillor - Ward 13
D.M.Xauka	Councillor - Ward 14
N. Singama	Councillor - Ward 15
M.G. Dyani	Councillor - Ward 16
N. Tolbadi	PR Councillor - ANC
N. Ngwangwa	PR Councillor - ANC
N.V. Qhaziyana	PR Councillor - ANC
M.S. Gcanga	PR Councillor - APC
B. Xuma	PR Councillor - APC
T. Daniel	PR Councillor - UDM
D.N. Mgudlwa	PR Councillor - UDM
M. Mvontshi	PR Councillor - UDM

Municipal Manager (Acting)

Mr. S Mahlasela

Chief Financial Officer

Mrs. H.B. Mlami

Grading of Local Authority

Grade 2

Auditors

Auditor-General

Bankers

First Natinal Bank

Meeg Bank

Engcobo Local Municipality
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General information (continued)

Registered Office:

Physical address:

54 Union Street
Engcobo
5050

Postal address:

P.O. Box 24
Engcobo
5050

Telephone number:

(047) 548 1221

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(047) 548 1078

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mvulaned@engcobolm.org.za

Engcobo Local Municipality
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 43, 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 19 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.

Municipal Manager:

28 September 2009

Engcobo Local Municipality
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Engcobo Local Municipality
STATEMENT OF FINANCIAL POSITION

as at 30 June 2009

	Note	2009 R	2008 R
ASSETS			
Current assets			
Cash and cash equivalents	1	987 846	863 823
Trade and other receivables from exchange transactions	2	433 563	1 622 930
Other receivables from non-exchange transactions	3	1 511 544	4 221 803
Investments	4	9 235 778	8 280 599
Current portion of receivables	5	54 079	54 079
VAT receivable	9	3 165 977	2 438 076
Non-current assets			
Property, plant and equipment	6	76 537 507	83 603 111
Total assets		91 926 295	101 084 421
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	7	7 697 163	11 370 800
Consumer deposits	8	74 238	62 124
Bank overdraft	1	4 499	-
Current portion of unspent conditional grants and receipts	10	8 182 919	4 047 571
Current portion of borrowings	11	1 333 333	4 000 000
Total liabilities		17 292 152	19 480 495
Net assets		74 634 143	81 603 927
NET ASSETS			
Accumulated surplus / (deficit)		74 634 144	81 603 926
Total net assets		74 634 144	81 603 926

Engcobo Local Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2009

	Note	2009 R	2008 R
Revenue			
Property rates	12	1 451 388	1 402 121
Service charges	13	608 537	1 672 276
Rental of facilities and equipment	14	107 332	99 179
Interest earned - external investments	15	497 586	644 237
Fines		45 650	56 750
Licences and permits		1 634 582	2 376 169
Government grants and subsidies	16	42 166 018	31 826 794
Public contributions and donations	17	500	500
Other income	17	2 617 207	143 578
Total revenue		49 128 799	38 221 604
Expenses			
Employee related costs	18	15 348 954	16 444 135
Remuneration of councillors	19	5 940 541	5 474 369
Depreciation and amortisation expense	20	7 137 049	7 198 763
Repairs and maintenance		1 062 443	2 501 365
General expenses	21	16 313 716	20 687 198
Total expenses		45 802 704	52 305 830
Gain / (loss) on sale of assets	22	(9 343 128)	-
Surplus / (deficit) for the period		(6 017 032)	(14 084 226)

Engcobo Local Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2009

	Note	Revaluation	Other reserves	Total: Reserves	Accumulated	Total: Net Assets
		Reserve			Surplus/(Deficit)	
		R	R	R	R	R
Balance at 30 June 2007		-		-	814 451	814 451
Changes in accounting policy	25				94 873 700	94 873 700
Restated balance		-	-	-	95 688 151	95 688 151
Surplus / (deficit) for the period					(14 084 226)	(14 084 226)
Balance at 30 June 2008		-	-	-	81 603 926	81 603 926
<i>Other items</i>					(952 750)	(952 750)
Surplus / (deficit) for the period					(6 017 032)	(6 017 032)
Balance at 30 June 2009		-	-	-	74 634 144	74 634 144

Engcobo Local Municipality

CASH FLOW STATEMENT

as at 30 June 2009

	Note	2009 R	2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		51 802 938	37 347 580
Sales of goods and services		7 019 213	5 376 708
Grants		42 166 018	31 826 794
Other receipts		2 617 707	144 078
Payments		38 191 830	40 386 983
Employee costs		21 289 495	21 918 503
Suppliers		16 902 335	18 468 479
Cash generated(used) from operations	23	13 611 108	(3 039 403)
Interest received		497 586	644 237
Net cash flows from operating activities		14 108 694	(2 395 166)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(8 531 673)	(8 444 381)
Proceeds from sale of fixed assets		(864 611)	
Fixed assets written off	25		1 066 456
Other decrease in fixed assets - backlog depreciation	25		25 531 418
Increase/(decrease) on investments		(955 179)	1 478 607
Other items		(18 289)	
Net cash flows from investing activities		(10 369 752)	19 632 100
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		(2 666 667)	4 000 000
Increase/(decrease) in accumulated surplus and funds		(952 751)	(19 909 420)
Net cash flows from financing activities		(3 619 418)	(15 909 420)
Net increase / (decrease) in net cash and cash equivalents		119 525	1 327 514
Net cash and cash equivalents at beginning of period		863 823	(463 691)
Net cash and cash equivalents at end of period	24	983 348	863 823

Engcobo Local Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2009

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with 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).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements. This policy has not yet been adopted.

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

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

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

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-Cash Generating Assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 26 Impairment of Cash Generating Assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

GRAP 18 Segment Reporting - issued March 2005

Nature of impending changes in accounting policy:

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

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

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

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

The effective date of the standard is for years beginning on or after a date to be determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when it is effective.

Impact on the municipality's financial statements once implemented:

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

GRAP 21 Impairment of Non-Cash Generating Assets - issued March 2009

Nature of impending changes in accounting policy:

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

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

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

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

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

The effective date of the standard is for years beginning on or after a date to be determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when it is effective.

Impact on the municipality's financial statements once implemented:

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

Nature of impending changes in accounting policy:

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

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

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

The effective date of the standard is for years beginning on or after a date to be determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when it is effective.

Impact on the municipality's financial statements once implemented:

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

Nature of impending changes in accounting policy:

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

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

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

A comparable basis means that the budget and financial statements:

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

The effective date of the standard is for years beginning on or after a date to be determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when it is effective.

Impact on the municipality's financial statements once implemented:

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 26 Impairment of Cash Generating Assets - issued March 2009

Nature of impending changes in accounting policy:

The objective of this Standard is to prescribe the procedures that an entity applies to determine whether a cash-generating asset is impaired and to ensure that impairment losses are recognised. The Standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The effective date of the standard is for years beginning on or after a date to be determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when it is effective.

Impact on the municipality's financial statements once implemented:

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

GRAP 103 Heritage Assets - issued July 2008

Nature of impending changes in accounting policy:

Grapp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

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

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

Grapp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grapp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grapp 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

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

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after a date to be determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time when it is effective.

Impact on the municipality's financial statements once implemented:

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

IAS 19 Employee Benefits - effective 1 January 2009

Nature of impending changes in accounting policy:

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

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

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

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

The effective date of the amendment is for years beginning on or after 1 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 financial statements.

Impact on the municipality's financial statements once implemented:

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

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

Nature of impending changes in accounting policy:

IFRIC 17 clarifies that:

- a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.
- an entity should measure the dividend payable at the fair value of the net assets to be distributed.
- an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

The effective date of the amendment is for years beginning on or after 1 July 2009.

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

Impact on the municipality's financial statements once implemented:

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.4 DEPRECIATION AND IMPAIRMENT

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

Infrastructure		Other	
Roads and Paving	10 - 30 years	Buildings	30 years
Pedestrian Malls	20 years	Specialist vehicles	20 years
Electricity	20 - 30 years	Other vehicles	3 - 10 years
Water	15 - 20 years	Office equipment	3 - 7 years
Sewerage	15 - 20 years	Furniture and fittings	7 - 10 years
		Watercraft	15 years
		Bins and containers	5 - 10 years
		Specialised plant and equipment	10 - 15 years
		Other items of plant and equipment	2 - 5 years
		Landfill sites	30 years
		Quarries	30 years
		Emergency equipment	5 - 15 years
		Computer equipment	5 years
		Computer software	3 - 5 years
		Office machines	3 - 5 years
		Air conditioners	5 - 7 years
Community			
Buildings	30 years		
Recreational Facilities	20 - 30 years		
Security	3 - 5 years		
Halls	30 years		
Libraries	30 years		
Parks and gardens	30 years		
Heritage assets			
Buildings	n/a		
Paintings and artifacts	n/a		
Finance lease assets			
Office equipment	3 - 7 years		
Other assets	3 - 7 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 - 5 years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

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.

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

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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

Investment property	30 years
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4.3 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

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

5.2 SUBSEQUENT MEASUREMENT

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

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

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

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

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

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

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

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

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

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

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

7.2 SUBSEQUENT MEASUREMENT

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

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. 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. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

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

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. 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.

12 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

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

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

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

14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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

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

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

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

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

15.3 GRANTS, TRANSFERS AND DONATIONS

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

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

Payments made to industry-managed 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.

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

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

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

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

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

19 IMPAIRMENT OF ASSETS

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

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.

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

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

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 service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined 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 is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash at bank		987 846	98 299
		<u>987 846</u>	<u>98 299</u>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
First National Bank Limited - Engcobo Branch: Account Number 52171242061			
Cash book balance at beginning of year		98 299	(502 030)
Cash book balance at end of year		987 846	98 299
Bank statement balance at beginning of year		2 236 775	146 413
Bank statement balance at end of year		2 623 485	2 236 775
<u>Current Account (Other Account)</u>			
Meeg Bank Limited - Engcobo Branch: Account Number 40-5537-0884			
Meeg Bank Limited - Engcobo Branch: Account Number 40-6890-4505			
Cash book balance at beginning of year		725 686	13 784
Cash book balance at end of year		(4 499)	725 686
Bank statement balance at beginning of year		113 637	11 613
Bank statement balance at end of year		1	113 637
<u>Cash on hand</u>			
		-	39 839
Total cash and cash equivalents		<u>987 846</u>	<u>863 823</u>
Total bank overdraft		<u>4 499</u>	<u>-</u>

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Trade receivables			
as at 30 June 2009			
Service debtors			
Rates		1 117 845	(1 022 258)
Electricity		-	-
Water		-	-
Sewerage		-	-
Refuse		546 410	(212 034)
Total		1 664 255	(1 234 292)
			334 375
Rental debtors		207 032	(203 432)
Total		1 871 287	(1 437 724)
			433 563
as at 30 June 2008			
Service debtors			
Rates		833 291	(407 856)
Electricity		-	-
Water		669 149	(271 436)
Sewerage		472 087	(172 339)
Refuse		459 766	(170 627)
Total		2 434 292	(1 022 258)
			1 412 035
Rental debtors		210 896	-
Total		2 645 188	(1 022 258)
			1 622 930
Rates: Ageing			
Current (0 – 30 days)			(39 746)
31 - 60 Days			-
61 - 90 Days			-
91 - 120 Days			-
121 - 365 Days		1 117 845	873 036
+ 365 Days			-
Total		1 117 845	833 291
Refuse (2008 - Refuse, Water and Sewerage): Ageing			
Current (0 – 30 days)		85 326	245 540
31 - 60 Days		19 440	87 593
61 - 90 Days		17 642	80 915
91 - 120 Days		15 586	67 324
121 - 365 Days		408 416	1 119 630
+ 365 Days			-
Total		546 410	1 601 002
Summary of Debtors by Customer Classification			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2009			
Current (0 – 30 days)	39 657	39 766	5 903
31 - 60 Days	10 507	7 436	1 496
61 - 90 Days	9 738	6 939	965
91 - 120 Days	8 582	6 211	794
121 - 365 Days	1 049 083	430 171	47 008
+ 365 Days			
Sub-total	1 117 567	490 522	56 166
Less: Provision for doubtful debts	(953 887)	(280 405)	
Total debtors by customer classification	163 680	210 118	56 166
as at 30 June 2008			
Current (0 – 30 days)	113 632	91 704	458
31 - 60 Days	41 275	36 675	9 643
61 - 90 Days	36 635	35 520	8 759
91 - 120 Days	30 640	28 625	8 060
121 - 365 Days	1 039 693	873 693	79 280
+ 365 Days			

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
Sub-total	1 261 876	1 066 217	106 200
Less: Provision for doubtful debts	(600 722)	(421 536)	-
Total debtors by customer classification	661 154	644 681	106 200

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
2 Reconciliation of the doubtful debt provision			
Balance at beginning of the year		1 022 258	1 022 258
Contributions to provision		859 241	-
Doubtful debts written off against provision		-	-
Reversal of provision		(443 775)	-
Balance at end of year		1 437 724	1 022 258

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2009, R465,889 (2008: R741,060) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	19 440	87 593
2 months past due	17 642	80 915
3 months past due	622 267	572 552

Trade and other receivables impaired

As of 30 June 2009, trade and other receivables of R1,437,724 (2008: R1,022,258) were impaired and provided for.

The amount of the provision was R1,437,724 as of 30 June 2009 (2008: R1,022,258).

The ageing of these receivables is as follows:

3 to 6 months	1 437 724	1 022 258
Over 6 months	-	-

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

3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Insurance claims	-	1 001
Subsidies	788 247	2 092 707
Other debtors	723 297	2 128 095
Total Other Debtors	1 511 544	4 221 803

4 INVESTMENTS

Call investments	9 235 778	8 280 599
	9 235 778	8 280 599

5 NON-CURRENT RECEIVABLES

Car loans	54 079	54 079
	54 079	54 079
Less : Current portion transferred to current receivables	(54 079)	(54 079)
Car loans	(54 079)	(54 079)
Total	-	-

CAR LOANS

Senior staff was entitled to car loans which attracted interest at 19% per annum and which were repayable over a maximum period of 4 years. These loans were repayable in year 2008.

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2008	391 000	7 352 994	60 617 910	8 156 481	-	7 103 015	-	83 621 400
Cost/Revaluation	510 000	8 274 286	77 727 495	9 258 601	-	20 562 910	-	116 333 292
Correction of error	-	-	-	-	-	18 289	-	18 289
Change in accounting policy	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	(119 000)	(921 292)	(17 109 585)	(1 102 120)	-	(13 478 184)	-	(32 730 181)
Acquisitions	-	96 017	7 518 092	48 896	-	868 668	-	8 531 673
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	(17 000)	(276 758)	(5 025 621)	(333 196)	-	(1 484 474)	-	(7 137 049)
Carrying value of disposals	-	-	(7 888 924)	-	-	(589 593)	-	(8 478 517)
Cost/Revaluation	-	-	(10 491 890)	-	-	(2 601 541)	-	(13 093 431)
Accumulated depreciation and impairment losses	-	-	2 602 966	-	-	2 011 948	-	4 614 914
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2009	374 000	7 172 253	55 221 457	7 872 181	-	5 897 617	-	76 537 507
Cost/Revaluation	510 000	8 370 303	74 753 697	9 307 497	-	18 848 326	-	111 789 823
Accumulated depreciation and impairment losses	(136 000)	(1 198 051)	(19 532 241)	(1 435 316)	-	(12 950 709)	-	(35 252 316)

Refer to Appendix B for more detail on property, plant and equipment

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2008

6.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2007	408 000	6 890 890	58 324 931	8 398 745	-	8 334 927	-	82 357 493
Cost/Revaluation	510 000	7 560 497	70 354 343	9 169 473	-	20 294 598	-	107 888 911
Correction of error	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	(102 000)	(669 607)	(12 029 412)	(770 728)	-	(11 959 671)	-	(25 531 418)
Acquisitions	-	713 789	7 373 152	89 128	-	268 312	-	8 444 381
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	(17 000)	(251 685)	(5 080 174)	(331 392)	-	(1 518 512)	-	(7 198 763)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
*Other movements	-	-	-	-	-	-	-	-
as at 30 June 2008	391 000	7 352 994	60 617 910	8 156 481	-	7 084 726	-	83 603 111
Cost/Revaluation	510 000	8 274 286	77 727 495	9 258 601	-	20 562 910	-	116 333 292
Accumulated depreciation and impairment losses	(119 000)	(921 292)	(17 109 585)	(1 102 120)	-	(13 478 184)	-	(32 730 181)

Refer to Appendix B for more detail on property, plant and equipment

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
7 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		-	23 301
Other creditors		7 697 163	11 347 499
Total creditors		7 697 163	11 370 800

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

8 CONSUMER DEPOSITS

Electricity and Water		74 238	62 124
Total consumer deposits		74 238	62 124

Included in deposits is an accrual of interest at an effective interest rate of 0% per annum (2008 0%) which is paid to consumers when deposits are refunded.

Guarantees held in lieu of Electricity and Water Deposits

9 VAT RECEIVABLE

VAT receivable		3 165 977	2 438 076
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

10.1 Unspent Conditional Grants from other spheres of Government

MIG Grants		4 838 723	245 503
Other		3 344 196	3 802 068
Total Unspent Conditional Grants and Receipts		8 182 919	4 047 571

Non-current unspent conditional grants and receipts

		-	-
Current portion of unspent conditional grants and receipts		8 182 919	4 047 571

See Note 16 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

11 BORROWINGS

Other borrowings		1 333 333	4 000 000
		1 333 333	4 000 000

Less : Current portion transferred to current liabilities

Other borrowings		(1 333 333)	(4 000 000)
		(1 333 333)	(4 000 000)

Total borrowings

		-	-
--	--	---	---

Refer to Appendix A for more detail on borrowings.

12 PROPERTY RATES

Actual

Residential		714 971	690 702
Commercial		732 542	707 677
Light Industries		-	-
Heavy Industries		-	-
State		3 874	3 743
Total property rates		1 451 388	1 402 121
Property rates - penalties imposed and collection charges		-	-
Total		1 451 388	1 402 121

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
<u>Valuations</u>			
Residential		52 445 750	52 445 750
Commercial		53 611 863	53 611 863
State		354 447	354 447
Municipal		10 785 380	10 785 380
Total Property Valuations		117 197 440	117 197 440
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 18 June 2003.</p> <p>A general rate of R0.0139128 (2008: R0.0132) is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners. Rates are levied on an annual basis on property owners.</p> <p>Rates are levied on an annual basis with the final date of payment being 30 June 2009 (2008: 30 June).</p>			
13 SERVICE CHARGES			
Sale of water		-	610 887
Refuse removal		608 537	494 226
Sewerage and sanitation charges		-	567 163
Total Service Charges		608 537	1 672 276
14 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		107 332	99 179
Total rentals		107 332	99 179
15 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		497 586	644 237
Total interest		497 586	644 237
16 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		28 890 412	22 911 833
MIG Grant		8 924 756	7 274 497
Other Government Grants and Subsidies		4 350 850	1 640 464
Total Government Grant and Subsidies		42 166 018	31 826 794
16.1 Equitable Share			
<p>In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of 50% of basic charge for water and sanitation and 6 kilolitres of free water, which is funded from the grant.</p>			
16.2 MIG Grant			
Balance unspent at beginning of year		245 503	-
Current year receipts		13 517 976	7 520 000
Conditions met - transferred to revenue		(8 924 756)	(7 274 497)
Conditions still to be met - remain liabilities (see note 10)		4 838 723	245 503
16.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		3 802 068	2 347 061
Current year receipts		2 235 000	2 734 000
Conditions met - transferred to revenue		(2 692 872)	(1 278 994)
Conditions still to be met - remain liabilities (see note 10)		3 344 196	3 802 068

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
16.4 Changes in levels of government grants			
Based on the allocations set out in the Division of Revenue Act, (Act 2 of 2008), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.			
17 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
17.1 Other income		2 617 207	143 578
		-	-
Total Other Income		<u>2 617 207</u>	<u>143 578</u>
Donations		500	500
Total public contributions and donations		<u>2 617 707</u>	<u>144 078</u>
18 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		8 915 093	10 090 944
Employee related costs - Contributions for UIF, pensions and medical aids		2 158 648	2 174 995
Travel, motor car, accommodation, subsistence and other allowances		945 714	1 220 960
Housing benefits and allowances		38 060	34 226
Overtime payments		143 050	698 209
Performance and other bonuses		695 477	709 138
Long-service awards		-	-
Other employee related costs		-	-
Total Employee Related Costs		<u>12 896 042</u>	<u>14 928 472</u>
Loans to employees are set out in note 3.			
Remuneration of the Municipal Manager			
Annual Remuneration		407 828	378 114
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		100 657	88 713
Contributions to UIF, Medical and Pension Funds		1 497	1 805
Total		<u>509 983</u>	<u>468 632</u>
Remuneration of the Chief Finance Officer			
Annual Remuneration		376 487	144 842
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		95 691	32 997
Contributions to UIF, Medical and Pension Funds		1 497	624
Total		<u>473 675</u>	<u>178 463</u>
Remuneration of Individual Executive Directors			
		Technical Services	Corporate Services
		R	R
			Community Services
			R
2009			
Annual Remuneration		376 487	376 487
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		144 573	106 258
Contributions to UIF, Medical and Pension Funds		1 497	1 497
Total		<u>522 557</u>	<u>484 242</u>
2008			
Annual Remuneration		204 648	224 973
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		27 335	52 794
Contributions to UIF, Medical and Pension Funds		998	998
Total		<u>232 981</u>	<u>278 765</u>
			<u>356 822</u>

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
19 REMUNERATION OF COUNCILLORS			
Mayor		492 630	447 474
Speaker		420 489	381 299
Executive Committee Members		1 349 969	1 225 730
Councillors		-	-
Councillors' pension and medical aid contributions		6 302	46 917
Councillors' allowances		3 671 151	3 372 949
Total Councillors' Remuneration		5 940 541	5 474 369

In-kind Benefits

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

The Mayor is entitled to stay at the mayoral residence owned by the Council at no cost. The Mayor has use of the Council owned vehicle for official duties.

20 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	7 137 049	7 198 763
Total Depreciation and Amortisation	7 137 049	7 198 763

21 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising	66 909	113 999
Admin fees	232 694	24 195
Audit fees	2 052 275	1 532 343
Bank charges	85 718	106 264
Cleaning	39 038	48 642
Conferences and delegations	122 222	-
Consulting fees	345 346	1 218 296
Consumables	-	201 400
Entertainment	87 422	83 048
Financial management grant	463 583	17 942
Fuel and oil	801 180	998 824
Insurance	290 794	305 153
Legal expenses	407 157	498 600
Levies paid	5 308	5 121
Licence fees - vehicles	202 951	16 470
Licence fees - computers	204 022	46 565
Membership fees	-	64 710
Postage	5 820	6 922
Printing and stationery	329 927	617 567
Rental of office equipment	336 718	239 352
Other rentals	14 600	349 387
Security costs	583 488	470 358
Skills development levies	181 076	164 408
Stocks and material	448 028	455 759
Subscription & publication	6 200	-
Telephone cost	475 982	684 163
Training	70 233	444 273
Transport claims	1 900	37 145
Travel and subsistence	447 926	805 234
Valuation costs	220 000	17 815
Other - including consulting and professional fees, agricultural pilot project and free basic electricity	7 785 200	11 113 242
	16 313 716	20 687 198

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
22 GAIN / (LOSS) ON SALE OF ASSETS			
Property, plant and equipment - Includes loss on transfer of assets to the District Municipality		(9 343 128)	-
Total Gain / (Loss) on Sale of Assets		(9 343 128)	-
23 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		(6 017 032)	(14 084 226)
Adjustment for:-			
Depreciation and amortisation		7 137 049	7 198 763
(Gain) / loss on sale of assets		9 343 128	-
Interest earned		(497 586)	(644 237)
Operating surplus before working capital changes:		9 965 559	(7 529 699)
(Increase)/decrease in inventories			
(Increase)/decrease in trade receivables		1 189 367	(124 513)
(Increase)/decrease in other receivables		2 710 259	412 974
(Increase)/decrease in VAT receivable		(727 901)	(543 709)
Increase/(decrease) in conditional grants and receipts		4 135 348	4 047 571
Increase/(decrease) in trade payables		(3 673 637)	666 373
Increase/(decrease) in consumer deposits		12 114	6 140
Other asset			25 461
Cash generated by/(utilised in) operations		13 611 108	(3 039 403)
24 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		987 846	863 823
Bank overdrafts		(4 499)	-
Net cash and cash equivalents (net of bank overdrafts)		983 347	863 823
25 CHANGE IN ACCOUNTING POLICY			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:			
25.1 Statutory Funds, Trust Funds and Project Funds			
Balance previously reported: -			
Revolving Fund			(729 411)
Transitional Fund			(531 265)
Pilot Housing Fund			(1 879)
Intergrated Development Plan Fund			(100 000)
Disaster Management Fund			(11 363)
Municipal Admin Program Fund			(83 850)
Housing Fund			(2 037 717)
Self Insurance Fund			(214 767)
Project Consolidate Fund			(548 187)
Municipal Support Program Fund			(426 226)
Kwa-Gcina Project Fund			(50 377)
Khuseluncedo Development Fund			(60 308)
Soil Conservation Fund			(43 318)
Town Planning Fund			(169 107)
Loans redeemed and other capital receipts			(117 503 383)
Total		-	(122 511 158)
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 25.4 below)			120 865 070
Transferred to Unspent Conditional Grants and Receipts			1 646 088
Total		-	122 511 158

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
25.2 Property, plant and equipment			
Balance previously reported			
Implementation of GRAP			
Non-existent assets previously not recorded debited to Accumulated Surplus/(Deficit) (see 25.4 below)			(1 066 456)
Total		-	(1 066 456)
25.3 Accumulated Depreciation			
Balance previously reported -			
Implementation of GRAP			
Backlog depreciation: Land and buildings			(771 607)
Backlog depreciation: Infrastructure			(12 029 412)
Backlog depreciation: Community			(770 728)
Backlog depreciation: Other			(11 959 671)
Total (debited to Accumulated Surplus/(Deficit)) (see 25.4 below)		-	(25 531 418)
25.4 Accumulated Surplus/(Deficit)			
Implementation of GRAP			
Other adjustments			606 504
Transferred from statutory funds (see 25.1 above)			120 865 070
Non-existent assets previously not recorded (see 25.2 above)			(1 066 456)
Backlog depreciation (see 25.3 above)			(25 531 418)
Total		-	94 873 700
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE			
26 DISALLOWED			
26.1 Unauthorised expenditure			
Reconciliation of unauthorised expenditure			
Opening balance		-	-
Unauthorised expenditure current year		8 414 302	-
Approved by Council or condoned		-	-
Transfer to receivables for recovery		-	-
Unauthorised expenditure awaiting authorisation		8 414 302	-
		8 414 302	-
Incident	Disciplinary steps/criminal proceedings		
<i>Executive & Council</i>	<i>None</i>	102 095	
<i>Finance & Admin</i>	<i>None</i>	684 505	
<i>Community & Social Services</i>	<i>None</i>	160 416	
<i>Waste Management</i>	<i>None</i>	330 238	
<i>Over expenditure of approved budget - Depreciation</i>	<i>None</i>	7 137 049	
		8 414 302	-
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
27 MANAGEMENT ACT			
27.1 Contributions to organised local government			
Opening balance		-	-
Council subscriptions		11 598	10 293
Amount paid - current		(11 598)	(10 293)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-
27.2 Audit fees			
Opening balance		86 370	-
Current year audit fee		2 052 275	1 522 343
Amount paid - current year		(2 138 645)	(1 435 973)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	86 370

The balance unpaid represents the audit fee for an audit conducted for the year ended 30 June 2008 and is payable by 31 July 2008.

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
27.3 VAT			
VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.			
27.4 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		2 376 405	2 102 117
Amount paid - current year		(2 375 595)	(2 102 117)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		809	-

The balance represents UIF incorrectly deducted from councillors from the April and May 2008 payroll. These amounts were still unpaid by June 2009

27.5 Pension and Medical Aid Deductions

Opening balance	10 080	-
Current year payroll deductions and Council Contributions	3 480 939	3 186 393
Amount paid - current year	(3 471 239)	(3 176 313)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	19 779	10 080

The balance represents medical aid contributions deducted from employees in the 2008 and 2009 payroll as well as Council's contributions to medical aid funds. These amounts were still unpaid by June 2009.

27.6 Councillor's arrear consumer accounts

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

	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2009			
Councillor MM Sigwela	4 838	1 021	3 817
Total Councillor Arrear Consumer Accounts	4 838	1 021	3 817

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

	Highest Amount Outstanding R	Ageing Days
as at 30 June 2009		
Councillor MM Sigwela	3 817	+ 90 days

28 CAPITAL COMMITMENTS

28.1 Commitments in respect of capital expenditure

- Approved and contracted for	210 901 437	-
Infrastructure	210 901 437	
Total	210 901 437	-

This expenditure will be financed from:

- Government Grants	210 901 437	-
	210 901 437	-

29 RETIREMENT BENEFIT INFORMATION

29.1 Defined contribution plan

The Municipality contributes to defined contribution plans. These contributions have been expensed.

Engcobo Local Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

	Note	2009 R	2008 R
30 CONTINGENT LIABILITY			
30.1 Claim for damages		24 660 341	24 660 341
<p>The Council is currently defending three cases lodged by its suppliers and a member of the community. All these cases are defended by the Municipality.</p> <p>Jongisizwe Traffic Solutions - In this case the Municipality signed a contract with this company, but did not allow them to perform the duties agreed on. Then they agreed on repudiation. The total claim intimated is R22,369,000 for expenses.</p> <p>Qhamani Plant Hire - The company was hired by the Municipality to construct a road. The Municipality then refused to pay a balance which related to the hire of plant and machinery. The supplier is claiming an amount of R2,291,341.20.</p> <p>Zama Buka - This community member's car was hit by a Municipal vehicle. He is now claiming for repairs to be made to his car.</p>			
30.2 Performance bonus		309 175	-
<p>Contingent liability disclosed is in respect of performance bonuses that are based on an assessment that has not yet been approved by Council.</p>			
31 RELATED PARTIES			
Joint Ventures		<i>None identified</i>	
Associates		<i>None identified</i>	
Members of key management		<i>None identified</i>	
Close family member of key management		<i>None identified</i>	
Post employment benefit plan for employees of municipality and/or other related parties		<i>None identified</i>	
Other related party relationships		<i>None identified</i>	
Compensation to councillors and other key management (refer to note 18 & 19)		<i>None identified</i>	
32 EVENTS AFTER THE REPORTING DATE			
<p>There are no events subsequent to the reporting date which require reporting on.</p>			
33 RISK MANAGEMENT			
33.1 Maximum credit risk exposure			
<p>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.</p> <p>Trade receivables comprise a widespread customer base. Management evaluates 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 Council. The utilisation of credit limits is regularly monitored.</p>			
33.2 Liquidity risk			
<p>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.</p> <p>Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.</p>			
33.3 Interest rate risk			
<p>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.</p>			

Engcobo Local Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2009

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
CHDM Loan		30-Jun-2009	4 000 000		(2 666 667)	1 333 333		
Total long-term loans			4 000 000		(2 666 667)	1 333 333		
TOTAL EXTERNAL LOANS			4 000 000		(2 666 667)	1 333 333		

Engcobo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				
Land														
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	510 000	-	-	-	510 000	(119 000)	(17 000)	-	-	(136 000)	-	-	-	374 000
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	510 000	-	-	-	510 000	(119 000)	(17 000)	-	-	(136 000)	-	-	-	374 000
Buildings	8 274 286	96 017	-	-	8 370 303	(938 440)	(276 758)	-	-	(1 215 198)	-	-	-	7 155 105
Infrastructure														
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	67 087 657	7 518 092	-	-	74 605 749	(14 454 864)	(5 017 954)	-	-	(19 472 818)	-	-	-	55 132 931
Sewerage Mains & Purification	3 635 652	-	(3 635 652)	-	-	(944 355)	-	944 355	-	-	-	-	-	-
Electricity Mains	142 050	-	-	-	142 050	(49 718)	(7 103)	-	-	(56 820)	-	-	-	85 230
Electricity Peak Load Equip	5 900	-	-	-	5 900	(2 038)	(565)	-	-	(2 603)	-	-	-	3 297
Water Mains & Purification	6 372 894	-	(6 372 894)	-	-	(1 436 660)	-	1 436 660	-	-	-	-	-	-
Reservoirs – Water	483 344	-	(483 344)	-	-	(221 951)	-	221 951	-	-	-	-	-	-
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	77 727 497	7 518 092	(10 491 890)	-	74 753 699	(17 109 586)	(5 025 621)	2 602 966	-	(19 532 241)	-	-	-	55 221 458
Community Assets														
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	1 403 762	-	-	-	1 403 762	(142 741)	(46 792)	-	-	(189 533)	-	-	-	1 214 229
Recreation Grounds	424 622	-	-	-	424 622	(106 000)	(17 314)	-	-	(123 314)	-	-	-	301 308
Civic Buildings	641 022	48 896	-	-	689 918	(62 426)	(22 869)	-	-	(85 295)	-	-	-	604 623
Stadiums	7 966	-	-	-	7 966	(2 224)	(398)	-	-	(2 622)	-	-	-	5 344
Halls	5 594 353	-	-	-	5 594 353	(508 793)	(186 478)	-	-	(695 271)	-	-	-	4 899 082
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	1 186 876	-	-	-	1 186 876	(279 938)	(59 344)	-	-	(339 282)	-	-	-	847 594
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9 258 601	48 896	-	-	9 307 497	(1 102 121)	(333 196)	-	-	(1 435 317)	-	-	-	7 872 180
Heritage Assets														
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	95 770 384	7 663 005	(10 491 890)	-	92 941 499	(19 269 146)	(5 652 576)	2 602 966	-	(22 318 756)	-	-	-	70 622 743

Engcobo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	95 770 384	7 663 005	(10 491 890)	-	92 941 499	(19 269 146)	(5 652 576)	2 602 966	-	(22 318 756)	-	-	70 622 743
Other Assets													
Office Equipment	435 730	132 773	-	-	568 503	(334 121)	(56 640)	-	-	(390 761)	-	-	177 742
Furniture & Fittings	873 423	26 713	-	-	900 136	(551 865)	(103 131)	-	-	(654 996)	-	-	245 140
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	51 521	-	-	-	51 521	(34 444)	(4 664)	-	-	(39 108)	-	-	12 413
Motor vehicles	6 064 489	410 804	(1 194 959)	-	5 280 334	(5 698 194)	(290 952)	1 106 573	-	(4 882 572)	-	-	397 762
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	1 150 133	285 149	(164 397)	-	1 270 885	(667 990)	(174 868)	12 705	-	(830 152)	-	-	440 733
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	11 987 615	13 228	(1 242 185)	-	10 758 658	(6 156 135)	(854 219)	892 670	-	(6 117 684)	-	-	4 640 974
	20 562 911	868 668	(2 601 541)	-	18 830 037	(13 442 748)	(1 484 474)	2 011 948	-	(12 915 273)	-	-	5 914 764
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	116 333 295	8 531 673	(13 093 431)	-	111 771 537	(32 711 894)	(7 137 049)	4 614 914	-	(35 234 029)	-	-	76 537 508

Engcobo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R				
Land														
Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites	510 000	-	-	-	510 000	(102 000)	(17 000)	-	-	(119 000)	-	-	-	391 000
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	510 000	-	-	-	510 000	(102 000)	(17 000)	-	-	(119 000)	-	-	-	391 000
Buildings	7 560 497	713 789	-	-	8 274 286	(669 607)	(251 685)	-	-	(921 292)	-	-	-	7 352 994
Infrastructure														
Drains	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads	59 714 503	7 373 152	-	-	67 087 655	(9 906 953)	(4 547 911)	-	-	(14 454 864)	-	-	-	52 632 791
Sewerage Mains & Purification	3 635 652	-	-	-	3 635 652	(762 572)	(181 783)	-	-	(944 355)	-	-	-	2 691 297
Electricity Mains	142 050	-	-	-	142 050	(42 615)	(7 103)	-	-	(49 718)	-	-	-	92 333
Electricity Peak Load Equip	5 900	-	-	-	5 900	(1 473)	(565)	-	-	(2 038)	-	-	-	3 863
Water Mains & Purification	6 372 894	-	-	-	6 372 894	(1 118 016)	(318 645)	-	-	(1 436 660)	-	-	-	4 936 234
Reservoirs – Water	483 344	-	-	-	483 344	(197 783)	(24 167)	-	-	(221 951)	-	-	-	261 393
Water Meters	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	70 354 343	7 373 152	-	-	77 727 495	(12 029 412)	(5 080 174)	-	-	(17 109 585)	-	-	-	60 617 910
Community Assets														
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	1 403 762	-	-	-	1 403 762	(95 949)	(46 792)	-	-	(142 741)	-	-	-	1 261 021
Recreation Grounds	424 622	-	-	-	424 622	(88 685)	(17 314)	-	-	(105 999)	-	-	-	318 623
Civic Buildings	569 720	71 302	-	-	641 022	(41 311)	(21 115)	-	-	(62 426)	-	-	-	578 596
Stadiums	7 966	-	-	-	7 966	(1 826)	(398)	-	-	(2 224)	-	-	-	5 742
Halls	5 576 527	17 826	-	-	5 594 353	(322 364)	(186 429)	-	-	(508 793)	-	-	-	5 085 560
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	1 186 876	-	-	-	1 186 876	(220 594)	(59 344)	-	-	(279 938)	-	-	-	906 938
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9 169 473	89 128	-	-	9 258 601	(770 728)	(331 392)	-	-	(1 102 120)	-	-	-	8 156 481
Heritage Assets														
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	87 594 313	8 176 069	-	-	95 770 382	(13 571 747)	(5 680 251)	-	-	(19 251 997)	-	-	-	76 518 385

Engcobo Local Municipality
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2008

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	87 594 313	8 176 069	-	-	95 770 382	(13 571 747)	(5 680 251)	-	-	(19 251 997)	-	-	76 518 385
Other Assets													
Office Equipment	375 126	60 604	-	-	435 730	(281 116)	(59 194)	-	-	(340 310)	-	-	95 420
Furniture & Fittings	859 223	14 200	-	-	873 423	(435 186)	(118 032)	-	-	(553 218)	-	-	320 205
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	51 521	-	-	-	51 521	(29 339)	(5 104)	-	-	(34 444)	-	-	17 077
Motor vehicles	6 064 488	-	-	-	6 064 488	(5 409 959)	(288 237)	-	-	(5 698 196)	-	-	366 292
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	956 625	193 508	-	-	1 150 133	(509 707)	(186 175)	-	-	(695 881)	-	-	454 252
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	11 987 615	-	-	-	11 987 615	(5 294 364)	(861 771)	-	-	(6 156 135)	-	-	5 831 480
	20 294 598	268 312	-	-	20 562 910	(11 959 671)	(1 518 512)	-	-	(13 478 184)	-	-	7 084 726
Finance Lease Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	107 888 911	8 444 381	-	-	116 333 292	(25 531 418)	(7 198 763)	-	-	(32 730 181)	-	-	83 603 111

Engcobo Local Municipality
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council	8 117 454	82 135		(213 197)	7 986 392	1 282 372	422 332	(195 271)	1 509 433	6 476 959
Finance & Admin	2 471 576	411 041		(504 257)	2 378 360	868 257	265 533	(433 797)	699 992	1 678 368
Planning & Development										
Health										
Community & Social Services	6 970 446	483 002		(15 869)	7 437 579	1 765 352	482 578	(15 869)	2 232 061	5 205 518
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport	98 773 814	7 555 495		(12 360 103)	93 969 206	28 235 549	6 491 201	(3 934 207)	30 792 543	63 176 663
Water										
Electricity										
Other										
Total	116 333 290	8 531 673	-	(13 093 426)	111 771 537	32 151 530	7 661 644	(4 579 144)	35 234 029	76 537 508

Engcobo Local Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2009

2008			2009		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
-	9 497 252	9 497 252	7 693 673	12 208 988	19 902 661
(11 585 382)	21 911 517	10 326 134	(37 345 094)	21 076 882	(16 268 212)
(2 893 257)	8 124 274	5 231 016	(2 365 899)	8 793 684	6 427 785
(605 171)	202 686	(402 485)	(113 269)	558 190	444 921
(16 719 628)	11 258 392	(5 461 236)	(8 984 789)	3 713 882	(5 270 907)
(6 272 346)	1 165 892	(5 106 455)	(61 092)	841 875	780 784
(38 075 785)	52 160 011	14 084 226	(41 176 469)	47 193 501	6 017 032
(38 075 785)	52 160 011	14 084 226	(41 176 469)	47 193 501	6 017 032