Dr Kenneth Kaunda District Municipality
Annual financial statements
for the year ended 30 June 2009

General Information

Legal form of entity	1	
	1	
Mayoral committee	1	
Executive Mayor	Councillor B E Moloi (Ms)	
Speaker	a	
	a	
Councillors	a	
	a	
	a	
	a	
	a	
	a	
	a	
	a	
Grading of local authority	Grade 4: Determination of Upper Limits	
	Grade 10: Bargaining Council	
Accounting Officer	Adv. MA DLAVANE	
	B. Juris, LLB (TURFLOOP)	
Acting Chief Finance Officer (CFO)	MB DAFFUE	
	MBL (UNISA)	
Accounting Officer	1	1
Registered office	Civic Centre	
	Patmore Road	
	ORKNEY	
	2620	
Business address	1	
	1	
	1	
	1	
	1	
Postal address	1	
	1	
	1	
	1	
	1	
Bankers	1	
	1	
Auditors	1	
	1	
Secretary	1	

General Information

Attorneys	1
	1

Index

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

Abbreviations

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

Certification by Municipal Manager

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 5 to 64, in termss of Section 126(1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) and which I have half of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 24 of these Annual Financial Statements are within the upper limits of the framework envisages in Section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with this Act.

Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2009.

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

The operating results for the year were [pleasing/satisfactory/disappointing] for the following reasons. The financial position of the municipality is [describe].

Net surplus of the municipality was R 12,567,411 (2008: profit R 7,268,542)..

2. Going concern

We draw attention to the fact that at 30 June 2009, the municipality had accumulated surplus of R 115,196,907 and that the municipality's total assets exceeds its liabilities by R 123,174,918.

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

3. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Statement of Financial Position

Figures in Rand	Note(s)	2009	2008
Assets			
Current Assets			
Investments	9	113,000,000	106,000,000
Trade and other receivables	13	698,773	686,468
VAT	14	4,469,403	4,015,537
Consumer debtors	15	-	1,901
Cash and cash equivalents	16	10,152,035	761,080
		128,320,211	**111,464,986**
Non-Current Assets			
Biological assets	4	910,580	-
Property, plant and equipment	5	17,435,129	5,807,970
Intangible assets	6	546,091	806,127
Investments	9	8,723,066	7,972,702
		27,614,866	**14,586,799**
Total Assets		**155,935,077**	**126,051,785**
Liabilities			
Current Liabilities			
Finance lease obligation	18	57,396	56,370
Operating lease liability	11	817,762	-
Trade and other payables	22	12,018,421	17,054,960
Post Retirement Medical Aid benefit Liability	12&20	65,059	-
Unspent conditional grants and receipts	19	14,949,392	8,889,792
Provisions	20	523,621	112,000
Current Portion - Long Services defined Benefit Plan	20&21	33,266	-
		28,464,917	**26,113,122**
Non-Current Liabilities			
Finance lease liabilities		-	57,419
Post Retirement Medical Aid benefit Liability	12	3,543,802	-
Long Service Awards	21	751,440	-
		4,295,242	**57,419**
Total Liabilities		**32,760,159**	**26,170,541**
Net Assets		**123,174,918**	**99,881,244**
Net Assets			
Accumulated surplus	17	123,174,918	99,881,244
		123,174,918	99,881,244
Minority interest		-	-
Total Net Assets		**123,174,918**	**99,881,244**

Statement of Financial Performance

Figures in Rand	Note(s)	2009	2008
Revenue			
Sale of flowers		371,766	520,752
Penalty (Contracts)		20,500	39,000
Government grants	25	130,555,770	114,333,253
Actuarial gains - Defined benefit plan		149,766	-
Rental income		28,207	39,100
Other income	26	1,698,600	555,394
Gains on disposal of property, plant and equipment		-	16,000
Interest received - investment	30	15,595,193	15,313,815
Dividends received	30	1,651	-
Total Revenue		**148,421,453**	**130,817,314**
Expenditure			
Employee related costs	28	37,460,767	34,377,498
Remuneration of councillors	29	5,804,306	5,313,540
Depreciation and amortisation	31	2,317,289	1,579,266
Finance costs		16,653	24,495
Debt impairment		-	2,674,469
Repairs and maintenance		553,054	291,229
Contracted services	35	1,653,813	2,735,511
Grants and subsidies paid	36	70,752,149	64,315,268
Contributions to Leave Reserve		1,039,034	597,908
General Expenses	27	14,796,090	11,030,135
Total Expenditure		**(134,393,155)**	**(122,939,319)**
Gains (Loss) on disposal of assets		(1,460,884)	(20,503)
Surplus for the year		**12,567,414**	**7,857,492**

Statement of Changes in Net Assets

Figures in Rand		Capital replacement reserve	Capitalisation reserve	Government grant reserve	Insurance reserve	Total reserves	Accumulated surplus / Deficit due to operations	Total Accumulated Surplus / Deficit
Opening balance as previously reported		12,077,617	112,213,878	17,583,262	30,291	141,905,048	264,346,837	406,251,885
Adjustments								
Correction of error (Note)		-	-	-	-	-	(3,611,308)	(3,611,308)
Prior year adjustments	-	-	-	-	-	-	(1,004,621)	(1,004,621)
Restated balance at 01 July 2007		**12,077,617**	**112,213,878**	**17,583,262**	**30,291**	**141,905,048**	**259,730,908**	**401,635,956**
Changes in net assets								
Change in accounting policy (Note)		-	-	-	-	-	(393,790)	(393,790)
Prior year adjustments		-	-	-	-	-	5,274,736	5,274,736
Transfer to Premier Support Grant		-	-	-	-	-	(42,496)	(42,496)
Net income (expenses) recognised directly in net assets		-	-	-	-	-	4,838,450	4,838,450
Surplus for the year		-	-	-	-	-	7,268,542	7,268,542
Total recognised income and expenses for the year		-	-	-	-	-	12,106,992	12,106,992
Property plant and equipment purchased		(1,670,988)	-	-	-	(1,670,988)	1,670,988	
Transfer of Assets to Local Councils		-	(112,203,786)	(17,583,262)	-	(129,787,048)	(184,074,656)	(313,861,704)
Transfer of Bursary Reserve		-	-	-	(30,291)	(30,291)	30,291	
Business combinations		-	(5,046)	-	-	(5,046)	5,046	
Total changes		(1,670,988)	(112,208,832)	(17,583,262)	(30,291)	(131,493,373)	(170,261,339)	(301,754,712)
Balance at 01 July 2008		**10,406,629**	**5,046**	**-**	**-**	**10,411,675**	**89,469,569**	**99,881,244**
Changes in net assets								
Change in accounting policy (Note 32)		-	-	-	-	-	(2,661,625)	(2,661,625)
Prior year adjustments		-	-	-	-	-	13,617,685	13,617,685
Net income (expenses) recognised directly in net assets		-	-	-	-	-	10,956,060	10,956,060
Surplus for the year		-	-	-	-	-	12,567,414	12,567,414

Statement of Changes in Net Assets

Figures in Rand	Share capital / contributions from owners	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Insurance reserve	Total reserves	Accumulated surplus	Total attributable to equity holders of the group / company	Mi int
Total recognised income and expenses for the year		-	-	-	-	-	23,523,474	23,523,474	
Property plant and equipment purchased		2,806,515	5,046	(377,896)	-	2,433,665	2,433,665	(32)	
Transfer to grants		-	-	-	-	-	(229,801)	(229,801)	
Total changes	-	2,806,515	5,046	(377,896)	-	2,433,665	25,727,338	23,293,641	
Balance at 30 June 2009		**7,600,114**	**-**	**377,896**	**-**	**7,978,010**	**115,196,907**	**123,174,917**	

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2009	2008
Cash flows from operating activities			
Cash receipts from customers		127,838,458	112,512,296
Cash paid to suppliers and employees		(124,393,968)	(113,893,195)
Cash generated from (used in) operations	37	3,444,489	(1,380,899)
Interest income		15,595,193	15,313,815
Dividends received		1,651	-
Finance costs		(16,653)	(24,495)
Net cash from operating activities		**19,024,680**	**13,908,421**
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,344,245)	(1,670,915)
Loss on disposal of property, plant and equipment		1,460,884	94,591
(increase)/ Decrease in non-current receivables		-	2,050
(Increase)/Decrease in non-current investments		(750,364)	5,364,406
(Increase)/Decrease in call investment deposits		(7,000,000)	(19,424,171)
Net cash from investing activities		**(9,633,725)**	**(15,634,039)**
Cash flows from financing activities			
Total cash movement for the year		**9,390,955**	**(1,725,618)**
Bank and cash at the beginning of the year		761,080	(964,538)
Bank and cash at the end of the year		10,152,035	761,080
Net increase (decrease) in cash and cash equivalents	16	**9,390,955**	**1,725,618**

Accounting Policies

1. Basis of Presentation of Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate
The annual financial statements have been prepared in accordance with
• Directive 5 – Determining the GRAP Reporting Framework, issued by the Accounting Standards Board in March 2009 and comprising of:
•The South African Statements of Generally Recognised Accounting Practice (GRAP), the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) prescribed by the Minister of Finance in:
• Notice 516 in Government Gazette 31021 issued 9 May 2008 read in conjunction with
• Notices 991 or 992 dated 7 December 2005 and Issued in Government Gazette No. 28095 of 15 December 2005 and Gazette No. 30013 of June 2007.
•Directive 4 Transitional Provisions for the Adoption of Standards of GRAP issued by the Accounting Standard Board by Medium and Low Capacity Municipalities.

GRAP:
GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4 (Replace GAMAP4). The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing Costs
GRAP 6 (Replace GAMAP6). Consolidated and Separate Financial Statements
GRAP 7 (Replace GAMAP7). Investments in Associates
GRAP 8 (Replace GAMAP8). Interests in Joint Ventures
GRAP 9 Replace GAMAP9. Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 13 Leases
GRAP 14 Events After the Reporting Date
GRAP 17 (Replace GAMAP17). Property, Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 101 Agriculture
GRAP 102 Intangible Assets

Interpretations of the Standards of GRAP approved:
IGRAP 1 Applying the Probability Test on Initial Recognition of Exchange Revenue

Approved guidelines of Standards of GRAP:
Guide 1 Guideline on Accounting for Public Private Partnerships

Effective accrual based IPSAS that are applied considering the provisions in paragraphs .15 to .19 of the Directive:
IPSAS 20 Related Party Disclosures
Effective IFRS and IFRIC that are applied considering the provisions in paragraphs .20 to.26 of the Directive:
IFRS 7 (AC 144) Financial Instruments: Disclosures
IAS 19 (AC 116) Employee Benefits
IAS 32 (AC 125) Financial Instruments: Presentation
IAS 39 (AC 133) Financial Instruments: Recognition and Measurement
Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.
A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.
The financial statements are prepared on the historic cost convention except for financial instruments which are stated at fair value.

FUNCTIONAL AND PRESENTATION CURRENCY – GRAP 1
These annual financial statements are presented in South African Rand's (ZAR) which is also the functional currency of the municipality.

GOING CONCERN ASSUMPTION – GRAP 1

Accounting Policies

These financial statements have been prepared on a going concern basis.

The cash flow statement can only be prepared in accordance with the direct method.

Specific information has been presented separately on the statement of financial position such as:

- Receivables from non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable; and
- Trade and other payables from non-exchange transactions.

Amount and nature of any restrictions on cash balances is required.

Paragraph 11 – 15 of GRAP 1 has not been implemented due the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the annual financial statements.

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

1.1 Significant judgement and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Accounting Policies

1.1 Significant judgement and sources of estimation uncertainty (continued)

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

Allowance for doubtful debts

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

Financial Reporting in Hyperinflationary Economics (GRAP 10)

As hyperinflation is deemed to be a matter of judgement, the municipality takes the following into account in order to determine whether the economy is hyperinflationary:
- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency. Amounts of local currency held are immediately invested to maintain purchasing power.
- The general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency. Prices may be quoted in that currency.
- Sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.
- Interest rates, wages and prices are linked to a price index.
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

1.2 Biological assets

An entity shall recognise a biological asset or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

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 surplus or deficit 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, by equal installments over their useful lives as follows:

Item	Useful life
Plants yearly - annually	1 year
Plants -Perennial	10 years

1.3 Property, plant and equipment

Accounting Policies

1.3 Property, plant and equipment (continued)

The municipality has taken advantage of the transitional provisions as of Directive 4 and has not applied the standard of GRAP 17 – Property, Plant and Equipment
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 17 – Property, Plant and Equipment will have on the municipality’s financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Property, plant and equipment is carried at cost less accumulated depreciation.The carrying values of items of property, plant and equipment have not been adjusted with impairment losses as no impairment testing was done.

Item	**Average useful life**
Land	30 Years
Buildings	30 Years
Furniture and fixtures	7-10 Years
Motor vehicles	5-7 Years
Office equipment	3-7 Years
IT equipment	3-5 Years

The residual value and the useful life of each asset were not reviewed during the year under review due to the advantage of the transitional provisions as of Directive 4 par .74-.76 taken.

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

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

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

Disposal of property, plant and equipment
- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and
- the sales proceeds is reflected as a gain or loss in the Statement of Financial Performance.

Review of depreciation method.The depreciation method was not reviewed. The current year’s accounting policy agrees with that applied in the previous financial year.

1.4 Intangible assets

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

Accounting Policies

1.4 Intangible assets (continued)

The municipality has taken advantage of the transitional provisions in paragraph .75 and .78 of Directive 4, Directive on transitional provisions for medium and low capacity municipalities issued by the Accounting Standards Board February 2008, and will on each reporting date during the three year period, disclose the classes of property, plant and equipment that were not recognised or measured in accordance with the Standards of GRAP on Property, Plant and Equipment at the previous reporting date, but which are then so recognised and/or measured. A Council's resolution, resolution No. A93/07/2009 to the effect was obtained on 30 July 2009.

In terms of the transitional provisions in paragraphs .75 and .78 of the said Directive 4, certain classes of property, plant and equipment were not recognised and measured in accordance with the Standard of GRAP on Property, Plant and Equipment in the municipality's financial statements. Therefore, until such time as the transitional provisions expire and those classes of property, plant and equipment are recognised and measured in their financial statements in accordance with the Standard of GRAP on Property, Plant and Equipment, full compliance with the following are outstanding:

- the Standards of GRAP on Presentation of Financial Statements, Segment Reporting and Non-current Assets Held for Sale and Discontinued Operations; and
- the recognition requirements of the Standards of GRAP on Leases and Provisions, Contingent Liabilities and Contingent Assets.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

Intangible assets are carried at cost less any accumulated amortisation.The carrying values of intangible assets have not been adjusted with impairment losses as no impairment testing was done..

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life which is estimated to be between 3 and 5 years.

The useful lives and residual values of assets classified as property, plant and equipment were not reviewed during the year under review. The amortisation period and the amortisation method for intangible assets were not reviewed at year-end.

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

Only cost incurred on computer software that meet the definition of an intangible asset are recognised as permitted in terms of Gazette 30013 of 29 June 2007. All other cost incurred on intangible assets during the exemption period has been expensed. Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	**Useful life**
Computer software, other	3-5 Years

1.5 Investments in associates

1.5 Investments in associates (continued)

The municipality has taken advantage of the transitional provisions as of Directive (4) and has not applied the standard of GRAP 7 – Investment in Associates in full.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 7 – Investment in Associates will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

Initial measurement

An associate is an entity over which the municipality as the investor is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee 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 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. 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 uses the most recent available financial statements of the associate in applying the equity method. 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 carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/ (deficits) less any dividends received.

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.

Where the municipality or its entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred

Initial adoption of the Standard of GRAP

On initial adoption of the Standard of GRAP on Investments in Associates, comparative information was not restated for those financial statements in which the equity method is applied.
Separate financial statements
The municipality will apply the requirements of the Standard of GRAP on Investments in Associates relating to separate financial statements in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors retrospectively.
Financial statements in which the equity method is applied
On initial adoption of the Standard of GRAP on Investments in Associates, any adjustments required to the municipality's financial position and financial performance as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.
On initial adoption of the Standard of GRAP on Investments in Associates, comparative information is not restated for those financial statements in which the equity method is applied.
The effect of a transaction or event that gives rise to the municipality being required to apply the provisions of the Standard of GRAP on Investments in Associates are determined at the date that significant influence first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that the Standard of GRAP on Investments in Associates is adopted.

1.6 Financial instruments

Classification

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

Accounting Policies

1.6 Financial instruments (continued)

- Held-to-maturity investment
- Loans and receivables
- Available for sale financial assets
- **Initial Recognition**
  Financial instruments are initially recognised at fair value.

  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.
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Financial assets
In accordance with IAS 39.09 the financial assets of the municipality are classified as follows into one of the categories allowed by this standard:
Investments - Available for sale financial assets
Call investment deposits - Held to maturity
Consumer debtors - Loans and receivables
Trade and other receivables from exchange transactions - Loans and receivables
VAT receivable - Loans and receivables
Bank balances and cash - Available for sale financial assets
Investments in associates - Available for sale financial assets

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

Financial liabilities
A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:
• Trade and other receivables from exchange transactions - A financial liability that is not measured at fair value through profit or loss. Stated at their nominal value.
• Unspent conditional grants and receipts - A financial liability that is not measured at fair value through profit or loss. Stated at their nominal values.
• Provisions - A financial liability that is not measured at fair value through profit or loss. Stated at their nominal value
There are two main categories of financial liabilities, classified based on how they are measured. Financial liabilities may be measured at:
• Fair value through profit or loss; or
• Not at fair value through profit or loss (‘other financial liabilities’)
Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading
Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.
In accordance with IAS 39.09 the financial liabilities of the municipality are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading..

Initial recognition and measurement

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

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

Financial liabilities and financial assets are recognized and measured in accordance with IAS 39 paragraph 43,46,47. Held to maturity investments and loans and receivables are initially measured at fair value. Financial assets at fair value and available for sale financial assets are initially and subsequently measured at fair value with the profit or loss being recognized in the Statement of Financial Performance, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

Accounting Policies

1.6 Financial instruments (continued)

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

Subsequent measurement

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

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

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

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

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. Available for sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available for sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available for sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available for sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in other comprehensive income and accumulated in equity.

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

Fair value determination

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

Impairment of financial assets

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognized in accordance with IAS 39.

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

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to

1.6 Financial instruments (continued)
an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

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

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

Trade payables and borrowings

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

Cash and cash equivalents

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

Bank overdraft and borrowings

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

Financial liabilities and equity instruments

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

Gains and losses

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

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

Accounting Policies

1.6 Financial instruments (continued)

Impairment of financial assets

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

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

1.7 Leases

The municipality has taken advantage of the transitional provisions as of Directive (4) and has not applied the standard of GRAP 13 – Leases.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 13 – Leases will have on the municipality's financial statements was not known at the time of compilation of the statements.The municipality intends to take full advantage of the period of the transitional provisions

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Such risks and rewards include: A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.
a) Transfer of ownership at the end of the lease term
b) The lessee has a bargain purchase option
c) The lease term covers a major part of the asset's economic life
d) The present value of the minimum lease payments approximates the fair value of the asset. Payments made by a lessee that are a substantial portion of a leased asset's fair value is presumed to give rise to a finance lease. The presumption is that the lessee will have received substantially all the benefits of ownership because it will have paid an amount that is close to the asset's fair value.
e) The leased asset is constructed to the municipality's specification and could not be used by others without significant modification
as well as the following situations that may individually or in combination also lead to a lease being classified as a finance lease:
• On cancellation of the lease, the lessor's losses associated with the cancellation, e.g. loss of rental revenue are carried by the lessee;
• Movements in the fluctuation of the fair value of the residual accrue to the lessee;
• The lessee may upon expiration of the lease agreement, continue the lease at a rent which is substantially lower than market rent

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over the shorter of the lease term or its estimated useful life. Lease payments are allocated between the finance lease costs and the capital repayment expensed as they become due.

The judgements made by the municipality are based on the above criteria and are stipulated with the recording of each lease.

Finance leases - lessor

The municipality recognises finance lease receivables on the statement of financial position.Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or installment sale agreements.

1.7 Leases (continued)

Finance leases – lessee

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

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

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

Operating leases - lessor

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

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

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

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

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

Operating leases - lessee

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

1.8 Construction contracts and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, as measured by .

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 deficit is recognised as an expense immediately.

1.9 Impairment of assets

The municipality has taken advantage of the transitional provisions as of Directive 4 and has not applied the standard of IPSAS 21 &26 – Impairment of Assets.
Reasonably estimable information relevant to assessing the possible impact of the implementation of IPSAS 21 & 26 – Impairment of Assets will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The following is the nature of the impending changes in the accounting policy:
The municipality assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Accounting Policies

1.9 Impairment of assets (continued)

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

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

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

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

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

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

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

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

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

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

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

1.10 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

Post employment health care benefits

The municipality provides post retirement health care benefits, upon retirement to some retirees.
The entitlement to post retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover this liability.

Defined benefit plans

Accounting Policies

1.10 Employee benefits (continued)

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

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

1.11 GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

The municipality has taken advantage of the transitional provisions as of Directive (4) and has not applied the standard of GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

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

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

Provisions are not recognised for future operating deficits.
If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

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

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

Contingent assets and contingent liabilities are not recognised.
GRAP 100: Non current Assets Held for Sale and Discontinued Operations

Accounting Policies

1.11 GRAP 19: Provisions, Contingent Liabilities and Contingent Assets (continued)
The municipality has taken advantage of the transitional provisions as of Directive 3 (4) and has not applied the standard of GRAP 100 – Non current assets held for sale or discontinued operations.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 100 – Non current assets held for sale or discontinued operations will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The following is the nature of the impending changes in the accounting policy:

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Impairment losses recognised in profit or loss for equity investments classified as available for sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available for sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss

1.12 Government grants

Government grants are recognised when there is reasonable assurance that:
- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

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

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

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

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

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.13 Revenue from exchange transactions

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

Accounting Policies

1.13 Revenue from exchange transactions (continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at statement of financial position date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

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

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

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

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

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

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

1.14 Grants, transfers and donations

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

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

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

1.15 Investment income

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

1.16 Borrowing costs

Accounting Policies

1.16 Borrowing costs (continued)

The municipality has applied the requirements of the Standard of GRAP on Borrowing Costs prospectively. The requirements of the Standard of GRAP on Borrowing Costs only apply to those borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after the effective date of the Standard.
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

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

The capitalisation of borrowing costs commences when:

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

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

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

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

1.17 Comparative figures

Budget information in accordance with GRAP 1 and GRAP 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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

1.18 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 Local Government: Municipal Finance Management Act 2003, (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance.

1.19 Fruitless and wasteful expenditure

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

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

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Local Government: 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 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 subsequently recovered, it is accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements are recorded as irregular expenditure . In such an instance, no further

Accounting Policies

1.20 Irregular expenditure (continued)
action is also required with the exception of updating the note to the financial statements.

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

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

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

1.21 Use of Estimates

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

1.22 Offsetting

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

1.23 Accumulated Surplus

- Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements.

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.• Profit on the sale of land during a financial year is reflected in the Statement of Financial Performance. Profit on the sale of land more than budgeted is transferred annually via the Statement of Changes in Net Assets to the CRR, provided that it cash backed.
The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

Government grant reserve

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

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

1.23 Accumulated Surplus (continued)

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

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

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

Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.24 Conditional Grants and receipts

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.
When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.
Government grants are recognised when there is reasonable assurance that:

- the municipality will comply with the conditions attaching to them; and
- the grants will be received.

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met.
A government grant that becomes receivable as compensation for expenses or losses already incurred, or for the purpose of giving immediate financial support to the entity with no future related costs are recognised as income of the period in which it becomes receivable.

1.25 Segmental information

The municipality has taken advantage of the transitional provisions as of Directive 3 (4) and has not applied the standard of GRAP 18 – Segment Reporting
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 18 – Segment Reporting will have on the municipality’s financial statements was not known at the time of compilation of the statements. The municipality intends to take full advantage of the period of the transitional provisions.

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.

Accounting Policies

1.25 Segmental information (continued)

1.26 Consolidated and Separate Financial Statements (GRAP 6)

The municipality has taken advantage of the transitional provisions as of Directive 3 (4) and has not applied the standard of GRAP 6 – Consolidated and Separate Financial Statements.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 6 – Consolidated and Separate Financial Statements will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

Adjustments required to an economic entity's financial position and financial performance as a result of initially adopting the Standard of GRAP on Consolidated and Separate Financial Statements are recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.

The effect of a transaction or event that gives rise to an entity being required to prepare consolidated financial statements is determined at the date that control first exists. Any adjustments required to previous carrying amounts of assets, liabilities or net assets are recognised as an adjustment to the opening balance of accumulated surpluses and deficits in the period that the Standard of GRAP on Consolidated and Separate Financial Statements is adopted

Adjustments required to an economic entity's financial position and financial performance as a result of initially adopting the Standard of GRAP on Consolidated and Separate Financial Statements are recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

2. Changes in accounting policy

The municipality has only changed accounting policies if it:
- is required by a Standard of GRAP; or
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flow.

The following is not seen as changes in accounting policies:

- the application of an accounting policy for events or transactions, other events or conditions that differ in substance from those that previously occurred; and
- the application of a new accounting policy for transactions, other events or conditions that did not occur previously or were immaterial.

Changes in accounting policies upon initial application of Standards that do not include specific transitional provisions applying to these changes and voluntary changes in accounting policies are accounted for retrospectively. When a new accounting policy is applied retrospectively, it is applied
to comparative information for prior periods as far back as is practicable
The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investments in Associates
- GRAP 10 Financial Reporting in Hyperinflationary Economies
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 17 Property, Plant and EquipmentIAS40 Investment Property
- GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
- GRAP 101 Agriculture
- GRAP 102 Intangible Assets
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets

Notes to the Annual Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

Standards and interpretations effective and not yet adopted in full during the current year due to transitional provisions as per Directive (4) – Directive on transitional provisions for medium and low capacity municipalities

The municipality has taken advantage of the transitional provisions of Directive 4, Directive on transitional provisions for medium and low capacity municipalities issued by the Accounting Standards Board February 2008, and will on each reporting date during the three year period, disclose the classes of property, plant and equipment that were not recognised or measured in accordance with the Standards of GRAP on Property, Plant and Equipment at the previous reporting date, but which are then so recognised and/or measured. A Council's resolution, resolution No A93/07/2009 to the effect was obtained on 30 July2009

In terms of the transitional provisions in paragraphs .75 and .78 of the said Directive 4, certain classes of property, plant and equipment were not recognised and measured in accordance with the Standard of GRAP on Property, Plant and Equipment in the municipality's financial statements. Therefore, until such time as the transitional provisions expire and those classes of property, plant and equipment are recognised and measured in their financial statements in accordance with the Standard of GRAP on Property, Plant and Equipment, full compliance with the implementation of the following Standards of GRAP are outstanding:
- the Standards of GRAP on Presentation of Financial Statements, Segment Reporting and Non current Assets Held for Sale and Discontinued Operations; and
- the recognition requirements of the Standards of GRAP on Leases and Provisions, Contingent Liabilities and Contingent Assets.

The changes in accounting method of the following standards are disclosed in detail under the accounting policies:
GRAP 5: Borrowing Costs
GRAP 6: Consolidated and Separate Financial Statements
GRAP 7: Investments in Associates
GRAP 10: Financial Reporting in Hyperinflationary Economies
GRAP 13: Leases
GRAP 14: Events after the reporting date
GRAP 17: Property, Plant and Equipment
GRAP 18: Segmental Information Reporting
GRAP 100:Non current Assets Held for Sale and Discontinued Operations
GRAP 101:Agriculture
GRAP 102:Intangible Assets
IPSAS 21: Impairment of Non Cash Generating Assets
IAS 19: Employee benefits
IAS 39: Financial instruments
In the current year, the municipality has adopted the mentioned standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IAS 19: Employee Benefits

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

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

The impact of the amendment is set out in note 1.102 Changes in Accounting Policy.

IAS 39 (AC 133) and IFRS7 (AC 144) Financial Instruments Disclosures

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable
IFRS 7 introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the municipality's financial instruments.

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

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

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:
- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

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

The municipality has early adopted the amendment for the first time in the 2009 annual financial statements.

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

GRAP 5: Borrowing Costs

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

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The municipality has taken advantage of the transitional provisions as of Directive (4) and has not applied the standard of GRAP 6 – Consolidated and Separate Financial Statements.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 6 – Consolidated and Separate Financial Statements will have on the municipality's financial statements were not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The nature of the impending changes is set out in the accounting policy:

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

GRAP 7: 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

3. New standards and interpretations (continued)
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 investor must exercise judgement in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method.

The initial application of GRAP 7 will have an impact on the annual financial statements.

The municipality has taken advantage of the transitional provisions as of Directive (4) and has not applied the standard of GRAP 7 – Investment in Associates in totality.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 7 – Investment in Associates will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The nature of the impending changes is set out in the accounting policy

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The nature of the impending changes is set out in the accounting policy

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

GRAP 13: Leases

The municipality has taken advantage of the transitional provisions as of Directive (4) and has not applied the standard of GRAP 13 – Leases
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 13 - Leases will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The nature of the impending changes is set out in the accounting policy:

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

The municipality has adopted the standard for the first time in the 2009 annual financial statements.

GRAP 14: Events after the reporting date

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

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

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting

3. New standards and interpretations (continued)

date); and

- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An municipality has adjusted the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

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

GRAP 17: Property, Plant and Equipment

The municipality has taken advantage of the transitional provisions as of Directive 3 (4) and has not applied the standard of GRAP 17 – Property, Plant and Equipment
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 17 – Property, Plant and Equipment will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The nature of the impending changes is set out in the accounting policy

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

GRAP 18: Segment Reporting

The municipality has taken advantage of the transitional provisions as of Directive 3 (4) and has not applied the standard of GRAP 18 – Segment Reporting
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 17 – Property, Plant and Equipment will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

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

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

The municipality has taken advantage of the transitional provisions as of Directive 3 (4) and has not applied the standard of GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The nature of the impending changes is set out in the accounting policy:

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

3. New standards and interpretations (continued)

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

The municipality has taken advantage of the transitional provisions as of Directive 3 (4) and has not applied the standard of GRAP 100 – Non-current assets held for sale or discontinued operations.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 100 – Non-current assets held for sale or discontinued operations will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The following is the nature of the impending changes in the accounting policy:

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

These investments are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The nature of the impending changes is set out in the accounting policy:

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

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

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

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

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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

GRAP 102: Intangible Assets

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

The municipality has taken advantage of the transitional provisions as of Directive (4) and has not applied the standard of GRAP102 – Intangible Assets
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 102 – Intangible Assets will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.
The nature of the impending changes is set out in the accounting policy

IPSAS 21: Impairment of Non Cash-Generating Assets

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

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

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

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

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

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

The municipality has early adopted the standard for the first time in the 2009 annual financial statements.

The impact of the standard is set out in note 1.92 Changes in Accounting Policy.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

4. Biological assets

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Plants Annual - Replanted yearly	15,840	-	15,840	-	-	-
Plants - Perennial	894,740	-	894,740	-	-	-
Total	**910,580**	**-**	**910,580**	**-**	**-**	**-**

Non – Financial information

Quantities of each biological asset		
Annual -Replanted yearly		
Craspedia	18,360	-
Statice White	8,040	-
Statice Blue	4,200	-
Liatris	540	-
Perennials		
Limonium	20,160	-
Liriope	39,600	-
Asparagus Virgatus	10,740	-
Ruscus	5,100	-
Aspedistra	16,300	-
Flax	13,500	-
Tuberose	24,480	-
Safari Sunset	600	-
Beschauaria	35,700	-
Willow Green	2,520	-
Willow Yellow	600	-
Equisitum	25,500	-
	225,940	**-**

The asset count was done by Mr Ermano Radice farm Manager of the farm "Living Gold" and the valuation was done by Mr Jac Duif horticultural consultant.

The municipality has taken advantage of the transitional provisions as of Directive 4 and has not applied the standard of GRAP 101 – Agricultural Assets.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 101 – Agricultural Assets will have on the municipality’s financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

5. Property, plant and equipment

	2009			2008		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Land and Buildings	12,633,415	(1,582,678)	11,050,737	1,743,069	(296,901)	1,446,168
Furniture and fittings	1,876,726	(627,903)	1,248,823	754,148	(141,935)	612,213
Motor vehicles	4,933,605	(1,613,664)	3,319,941	2,645,584	(818,996)	1,826,588
Office equipment	740,976	(93,149)	647,827	1,502,482	(787,792)	714,690
Computer Equipment	2,343,579	(1,458,479)	885,100	2,881,730	(1,673,419)	1,208,311
Community	9,820	(374)	9,446	-	-	-
Other property, plant and equipment	435,041	(161,786)	273,255	-	-	-
Total	**22,973,162**	**(5,538,033)**	**17,435,129**	**9,527,013**	**(3,719,043)**	**5,807,970**

Reconciliation of property, plant and equipment - 2009

	Opening Balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land and Buildings	1,446,168	10,890,346	-	(1,285,777)	11,050,737
Furniture and fixtures	612,213	1,135,575	(7,523)	(491,442)	1,248,823
Motor vehicles	1,826,588	2,288,021	-	(794,667)	3,319,941
Office equipment	714,690	642,407	(654,138)	(59,133)	647,827
Computer Equipment	1,208,312	323,419	(62,556)	(484,248)	885,100
Community	-	9,820	-	(374)	9,446
Other property, plant and equipment	-	435,041	-	(161,786)	273,255
	5,807,971	**15,724,629**	**(724,217)**	**(1,991,650)**	**6,384,392**

Reconciliation of property, plant and equipment - 2008

	Opening Balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Land and Buildings	1,255,138	266,058	-	(75,028)	1,446,168
Furniture and fixtures	226,726	449,668	-	(64,181)	612,213
Motor vehicles	2,291,264	-	-	(464,676)	1,826,588
Office equipment	1,033,098	154,188	(78,592)	(394,004)	714,690
Computer equipment	836,627	801,001	(20,503)	(408,813)	1,208,311
Infrastructure	375,313,371	-	(375,313,371)	-	-
	380,956,224	**1,670,915**	**(375,412,466)**	**(1,406,702)**	**5,807,970**

Assets subject to finance lease (Net carrying amount)

	2009	2008
Samsung DSC PABX System	51,272	107,205
	51,272	**107,205**

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

6. Intangible assets

	2009			2008		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software, other	851,510	(305,419)	546,091	922,756	(116,629)	806,127
Total	**851,510**	**(305,419)**	**546,091**	**922,756**	**(116,629)**	**806,127**

Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software, other	806,126	479,635	(705,582)	30,352	(46,480)	546,091
	806,126	**479,635**	**(705,582)**	**30,352**	**(46,480)**	**546,091**

Reconciliation of intangible assets - 2008

	Opening Balance	Additions	Amortisation	Total
Computer software, other	808,895	113,860	(116,629)	806,126
	808,895	**113,860**	**(116,629)**	**806,126**

Other information

The municipality has taken advantage of the transitional provisions as of Directive 4 and has not applied the standard of GRAP 102 – Intangible Assets.
Reasonably estimable information relevant to assessing the possible impact of the implementation of GRAP 102 – Intangible Assets will have on the municipality's financial statements was not known at the time of compilation of the statements.
The municipality intends to take full advantage of the period of the transitional provisions.

7. Investments in associates

Name of company	Listed / Unlisted	% holding 2009	% holding 2008	Carrying amount 2009	Carrying amount 2008	Fair value 2009	Fair value 2008
SDM Economic Development Agency	Unlisted	100.00 %	100.00 %	2,257,664	-	2,257,664	1,688,756
				2,257,664	-	2,257,664	1,688,756

The municipality has a 100% holding in the Dr Kenneth Kaunda District Municipality Economic Agency. The carrying value and fair value is determined by the office of Price Waterhouse Cooper 10 Rykstr Welkom. The cost price of the investment is nul.

8. Long-term Receivables

	2009	2008
Study loans	16,715	71,684
Terms and conditions		
Total Long -Term Receivables	16,715	71,684
Less:Impairment of Long -Term Receivables	(16,715)	(71,684)
Total Long- Term Recievables	**-**	**-**

Study loans are classified as Long term receivables as it will not be realised within 12 months of balance sheet date.

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

8. Long-term Receivables (continued)

Non-current assets	-	-
Current assets	-	-
	-	**-**

9. Investments

Available for sale		
ABSA Asset Management	8,723,066	7,972,702
This fund is manage by ABSA Fund Managers		
	8,723,066	7,972,702
	8,723,066	**7,972,702**
Held to maturity		
Call Investment Deposits	113,000,000	106,000,000
Call investment Deposits is invested for a period from one to six months		
	113,000,000	106,000,000
	113,000,000	**106,000,000**
Total Investments	**121,723,066**	**113,972,702**
Non-current assets		
Available for sale	8,723,066	7,972,702
	-	-
	8,723,066	**7,972,702**
Current assets		
Held to maturity	113,000,000	106,000,000
Loans and receivables	-	-
	113,000,000	**106,000,000**
	121,723,066	**113,972,702**

The maximum exposure to credit risk at the reporting date is the carrying amount of the held to maturity financial assets.

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

There were no gains or losses realised on the disposal of held to maturity financial assets in 2009 and 2008, as all the financial assets were disposed of at their redemption date.

Loans and receivables impaired

As of 30 June 2009, loans and receivables of R 16,715 (2008: R 71,684) were impaired and provided for.

The amount of the provision was R 16,715 as of 30 June 2009 (2008: R 71,684).

The ageing of these loans is as follows.

3 to 6 months			
Over 6 months		16,715	71,684
	R	**16,715**	**71,684**

Reconciliation of provision for impairment of loans and receivables

Opening balance	71,684	-

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

9. Investments (continued)

	2009	2008
Provision for impairment	-	71,684
Amounts written off as uncollectable	(20,626)	-
Unused amounts reversed	34,343	-
	16,715	**71,684**

10. Financial assets by category

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

2009

	Loans and receivables	Held to maturity investments	Available for sale	Total
Investments	-	-	8,723,066	8,723,066
Call investment deposits	-	113,000,000	-	113,000,000
Trade and other receivables	698,773	-	-	698,773
Bank and cash equivalents	-	-	10,152,035	10,152,035
VAT	4,469,403	-	-	4,469,403
	5,168,176	**113,000,000**	**18,875,101**	**137,043,277**

2008

	Loans and receivables	Held to maturity investments	Available for sale	Total
Investments	-	-	7,972,702	7,972,702
Call investment deposits	-	106,000,000	-	106,000,000
Consumer debtors	1,901	-	-	1,901
Trade and other receivables	686,468	-	-	686,468
Bank and cash equivalents	-	-	761,080	761,080
VAT	4,015,537	-	-	4,015,537
	4,703,906	**106,000,000**	**8,733,782**	**119,437,688**

11. Operating lease liability)

	2009	2008
Current liabilities	817,762	-
	817,762	**-**

This amount represent the the current lease liability on the lease entered into with Morubisi Technologies for CCTV surveilance services.

12. Retirement benefits

Post retirement medical aid benefit liability

	2009	2008
Post-Employment Health Care Benefit Liability	3,608,861	-
Total: Post-Employment Health Care Benefit Liability	**3,608,861**	**-**
Less: Transfer to current provisions	(65,059)	
Net Post-Employment Health Care Benefit Liability	**3,543,802**	

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

12. Retirement benefits (continued)

Post retirement medical aid plan

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition
of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2009 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are
provided by the municipality.

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

Member category		
In-service (employee) members	59	-
Continuation (retiree and widow) members	4	-
	63	**-**

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

Member category		
In-service members	2,299,909	-
Continuation members	1,308,861	-
	3,608,770	**-**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes
- Bonitas
- Hosmed
- LA Health
- Key Health
- Samwumed:

The future service cost for the ensuing year is established to be R 308,091, whereas the interest-cost for the next year is estimated to be R 320,882

The principal assumptions used for the purposes of the actuarial valuations were as follows:	
Discount rate	8.97 %
Health Care Cost Inflation Rate	7.69 %
Net Effective Discount Rate	1.19 %
Continuation of membership at retirement	90 %
Proportion assumed married at retirement	90 %
Average retirement age	63

The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	2,991,112	-
Current service cost	242,465	-
Interest cost	316,206	-
Benefits paid	116,563	-
Actuarial (gain)/loss on the obligation	(57,485)	-
Balance at end of year	**3,608,861**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

12. Retirement benefits (continued)

The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

	2009	2008
Increase		
Effect on the aggregate of the current service cost and the interest cost	122,500	-
	122,500	**-**
Decrease		
Effect on the aggregate of the current service cost and the interest cost	(95,900)	-
	(95,900)	**-**

13. Trade and other receivables

	2009	2008
Prepayments (if immaterial)	-	7,860
Fruitless and wasteful expenditure to be investigated	276	-
Sundry debtors	786,163	843,887
DBSA Payments on behalf of councils	4,118,326	4,337,376
Control Accounts	42,181	124,059
Less: Provision for bad debt	(4,248,173)	(4,626,714)
	698,773	**686,468**

14. VAT

	2009	2008
VAT	4,469,403	4,015,537
	4,469,403	**4,015,537**

VAT is payable on the payment basis. Only once payments received and / or made from debtors VAT is paid over to SARS.

15. Consumer debtors

	2009	2008
Gross balances		
Regional services levies	-	5,430,633
Service debtors	-	1,901
	-	**5,432,534**
Less: Provision for bad debts		
Regional services levies	-	(5,430,633)
	-	-
	-	**(5,430,633)**
Net balance		
Service debtors	-	1,901
Regional services levies		
> 365 days	-	5,430,633
Service debtors		
Current (0 -30 days)	-	1,901
	-	**1,901**

Summary of debtors by customer classification

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

15. Consumer debtors (continued)

Industrial/ commercial		
Current (0 -30 days)	-	1,901
> 365 days	-	5,430,633
	-	5,432,534
Less: Provision for bad debts	-	(5,430,633)
	-	**1,901**

Reconciliation of bad debt provision		
Balance at beginning of the year	5,430,633	7,538,614
Bad debts written off against provision	(4,782,843)	-
Reversal of provision	(647,790)	(2,107,981)
	-	**5,430,633**

16. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise of the following statement of amounts :

Cash on hand	3,560	3,150
Bank balances	10,148,475	423,345
	10,152,035	**426,495**
Correction of error		334,585
Total Bank and Cash		**761,080**

The Merafong Flora project is included in the Bank and Cash as a restatements as this amount should have been disclosed in the 2007/8 financial year..

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2009	Bank statement balances 30 June 2008	Bank statement balances 30 June 2007	Cash book balances 30 June 2009	Cash book balances 30 June 2008	Cash book balances 30 June 2007
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	7,719,994	5,088,296	3,209,006	(2,569,671)	(1,821,832)	(3,629,041)
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	1,662,267	2,120,940	2,923,348	1,837,572	1,662,267	2,120,940
Current Account (Premiers Support Grant) ABSA Klerksdorp Account no 950 000 244	582,909	540,413	511,098	630,338	582,909	540,413
Current Account (Disaster Risk Management grant) ABSA Klerksdorp Account no 40 7293 0455)	2,011,028	-	-	2,009,789	-	-
Current Account (Fire Support Grant) ABSA Klerksdorp Account no 40 7293 0340	7,592,239	-	-	7,537,562	-	-

16. Cash and cash equivalents (continued)

Current Account (Merafong Flora) Standard bank Klerksdorp Account no 02 137 020 6)	702,884	334,585	1,004,621	702,884	334,585	1,004,621
Total	**20,271,321**	**8,084,234**	**7,648,073**	**10,148,474**	**757,929**	**36,933**

17. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2009

	Capital replacement reserve	Capitalisation reserve	Accumulated Surplus / Deficit due to operations	Total
Opening balance	10,406,629	5,046	89,723,935	100,135,610
Restated Surplus for the year	-	-	10,701,694	10,701,694
Offsetting of depreciation	(5,046)	-	-	(5,046)
Property, plant and equipment purchases	(2,806,515)	-	-	(2,806,515)
Surplus / Deficit for the year	-	-	14,771,280	14,771,280
	-	-	-	-
	7,595,068	**5,046**	**115,196,909**	**122,797,023**

The Capital Replacement Reserve and the Capitalisation Reserve is shown as internal ring - fenced funds and reserves in the Accumulated Surplus in the 2008/9 Financial year.

Ring-fenced internal funds and reserves within accumulated surplus - 2008

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Insurance reserve	Accumulated Surplus / Deficit due to operations	Total
Balance restated	12,077,617	112,213,878	17,583,262	30,291	258,726,287	400,631,335
Changes in accounting policy(Note32)	-	-	-	-	(474,218)	(474,218)
Surplus /Deficit for the year	-	-	-	-	8,607,957	8,607,957
Prior Year Adjustments	-	-	-	-	5,274,736	5,274,736
Transfer of Assets to Local Councils	-	(112,203,786)	(17,583,262)	-	(184,074,656)	(313,861,704)
Transfer to Accumulated Surplus/Deficit	-	-	-	(30,291)	30,291	-
Property, plant and equipment purchases	(1,670,988)	-	-	-	1,670,988	-
Transfer to premier Support Grant	-	-	-	-	(42,496)	(42,496)
Offsetting of depreciation	-	(5,046)	-	-	5,046	-
	10,406,629	**5,046**	**-**	**-**	**89,723,935**	**100,135,610**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

18. Finance lease obligation

Minimum lease payments due		
- within one year	-	57,416
	-	57,416
less: future finance charges	-	(5,194)
Present value of minimum lease payments	**-**	**52,222**
Current liabilities	57,396	56,370
	57,396	**56,370**

Lease of Samsung DSC PABX System.
The municipality lease a Samsung DSC PABX System. The lease was classified as a finance lease on the following grounds:1. All risks and rewards are therefore substantially transferred to the municipality.
2. The lease term therefore covers the major part of the asset's economic life
3. The present value of the minimum lease payments approximates the fair value of the Asset
Clause 7 of the TERMS OF BUSINESS states that the item must be insured by the municipality.
The agreement was signed 0n 22 May 2007 and the period for the lease is 36 months.
The monthly lease amount as per the agreement is R6 701.60. The cost of the item was determined as R 191 290,88 (R167 799.07 + R23 491.80 VAT)] .

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 31 May 2007
The interest rate is Prime PLUS 3.25%
No accumulative annual escalation
No stipulation for further leasing
PABX must be insured by the Lessee as from 31 May 2007 when agreement (financial) was signed.]

19. Increase/(Decrease) in conditional grants and receipts

Deferred income comprises:

Conditional grants and receipts		
MIG Grants	-	1,087,421
Disaster Management Fund	2,346,978	1,024,803
Integrated Municipal Monitoring Grant (IMMIS)	161,394	34,554
Emergency Grant	-	55,601
DWAF Basic Sanitation	(74,162)	92,765
Councillor Development Training	-	8,837
Local Government Support Grant	1,283,436	1,315,221
Finance Management Grant	1,784,177	2,229,234
LED Learnership (seta)	193,231	68,663
Paypoint (LED)	(74,968)	77,251
Clinic Sanitation DWAF	-	374,905
Two Roomed Clinics	-	442,249
Premiers Support Grant	630,338	582,909
Municipal System Improvement Grant	-	1,495,379
LG Seta	(38,594)	-
LG Seta (HIV/AIDS)	1,200,000	-
Fire support program	7,537,562	-
Conditional Grants and Receipts	**14,949,392**	**8,889,792**
	-	**-**
Total Conditional Grants and Receipts	**14,949,392**	**8,889,792**

Movement during the year

Balance at the beginning of the year	8,889,792	10,744,723
Additions during the year	12,758,809	5,213,864

Figures in Rand	2009	2008

19. Increase/(Decrease) in conditional grants and receipts (continued)

	2009	2008
Income recognition during the year	(6,699,209)	(7,068,795)
	14,949,392	**8,889,792**
Current liabilities	14,949,392	8,889,792
Non-current liabilities	-	-
	14,949,392	**8,889,792**

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

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

See note 25 for reconciliation of grants from National/Provincial Government.

20. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Transfer from non-current	Additions	Total
Performance Bonuses	112,000	-	411,621	523,621
Post -Employment Health Care Benefits	-	65,059	-	65,059
Long -Service Awards	-	33,266	-	33,266
	112,000	**98,325**	**411,621**	**621,946**

21. Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an litimation of the awards to which employees in the service of the Municipality at 30 June 2009 may become entitled to in future, based on an actuarial valuation performed at that date.
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2009 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

	2009	2008
Provision for Long Service Awards	784,706	-
Total Provision for Long Service Awards	**784,706**	**-**
Less: Transfer to Current Provisions	33,266	-
Net Long Service Awards liability	**817,972**	**-**

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2009	2008
Discount rate	9.22%	-
Expected Rate of Salary Increase(long-term)	6.73%	-
Net Effective Discount Rate	2.33%	-
Expected Retirement Age	63	-
Mortality during employment	SA 85-90	-

The movement in the long service awards obligation over the year is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

21. Long Service Awards (continued)

Balance at beginning of year	775,279	-
Current service cost	161,473	-
Interest cost	80,409	-
Benefits paid	(82,689)	-
Actuarial (gain)/loss on the obligation	(149,766)	-
Balance at end of year	**784,706**	**-**

22. Increase/(Decrease) in trade and other payables

Trade payables	6,275,788	9,378,355
Levy debtors in advance	-	624,749
Retention Creditors	2,481,692	1,818,657
Staff Leave	2,226,927	1,187,893
Other Payables	-	2,764,135
Control Accounts	979	692,222
Other Creditors	1,033,034	588,949
	12,018,420	**17,054,960**

Fair value of trade and other payables

The Municipality did not constitute a credit risk at reporting date and therefore no fair value was attributable to any credit risk. The carrying amount at 30 June 2009 of financial liabilities was12018420, (2008 was17054960)

23. Financial liabilities by category

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

2009

	Loans and payables	Total
Other current liabilities	98,325	98,325
Provisions	523,621	523,621
Operating lease liability	817,762	817,762
Unspent conditional grants and receipts	14,949,392	14,949,392
Trade and other payables	12,018,420	12,018,420
	28,407,520	**28,407,520**

2008

	Financial liabilities at amortised cost	Total
Provisions	112,000	112,000
Unspent conditional grants	8,889,792	8,889,792
Trade and other payables	17,054,960	17,054,960
	26,056,752	**26,056,752**

24. Revenue

Sale of goods	371,766	520,752
Fines	20,500	39,000
Government grants	130,555,770	114,333,253
	130,948,036	**114,893,005**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

25. Government grants and subsidies

Equitable share	14,578,000	8,238,000
RSC Levy Replacement Grant	108,667,319	99,026,459
Conditions met - Transfer to Revenue	7,310,451	7,068,794
	130,555,770	**114,333,253**

Equitable Share

Current-year receipts	14,578,000	8,238,000
	-	-
	14,578,000	**8,238,000**

The Grant is unconditional and is utilised to fund operational and capital program.

RSC Levy Replacement Grant

Current-year receipts	108,667,319	99,026,459
	-	-
	108,667,319	**99,026,459**

The grant has replaced the RSC Levies that were collected by Districts and Metropolitan Municipalities. These municipalities receives the grant until National Treasury produce the tax instrument that meets conditions of a "fair" tax. The Grant is utilised to fund the operational and capital program.

Municipal Infrastructure Grant

Balance unspent at beginning of year	1,087,421	1,149,249
Conditions met - transferred to revenue	(1,087,421)	(61,827)
Conditions still to be met- transferred to liabilities	**-**	**1,087,422**

Disaster Management Grant

Balance unspent at beginning of year	1,024,803	1,884,476
Current-year receipts	2,000,000	1,000,000
Conditions met - transferred to revenue	(687,614)	(1,859,673)
Conditions still to be met- transferred to liabilities	**2,337,189**	**1,024,803**

DWAF Basic Sanitation

Balance unspent at beginning of year	92,765	330,532
Conditions met - transferred to revenue	(166,927)	(237,767)
Conditions still to be met- transferred to liabilities	**(74,162)**	**92,765**

Local Government Support Grant

Balance unspent at beginning of year	1,315,221	1,666,505
Current-year receipts	134,962	138,669
Conditions met - transferred to revenue	(301,708)	(489,954)
Conditions still to be met- transferred to liabilities	**1,148,475**	**1,315,220**

Finance Management Grant

Balance unspent at beginning of year	2,229,234	2,317,242
Current-year receipts	500,000	500,000

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

25. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(945,057)	(588,008)
Conditions still to be met- transferred to liabilities	**1,784,177**	**2,229,234**

Integrated Municipal Monitoring Information Systems (IMMIS)

Balance unspent at beginning of year	34,554	72,915
Current-year receipts	300,000	-
Conditions met - transferred to revenue	(173,160)	(38,361)
Conditions still to be met- transferred to liabilities	**161,394**	**34,554**

Emergency Grant

Balance unspent at beginning of year	55,601	55,601
Conditions met - transferred to revenue	(55,601)	-
Conditions still to be met- transferred to liabilities	**-**	**55,601**

Councillor Development Training

Balance unspent at beginning of year	8,837	8,837
Conditions met - transferred to revenue	(8,837)	-
Conditions still to be met- transferred to liabilities	**-**	**8,837**

Premier's Support Grant

Balance unspent at beginning of year	582,909	540,413
Current-year receipts	-	42,496
Conditions met - transferred to revenue	(60)	-
Conditions still to be met- transferred to liabilities	**582,849**	**582,909**

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	1,495,379	1,558,716
Current-year receipts	735,000	1,000,000
Conditions met - transferred to revenue	(2,230,379)	(1,063,337)
Conditions still to be met- transferred to liabilities	**-**	**1,495,379**

Health Subsidy

Current-year receipts		2,300,000
Conditions met - transferred to revenue	-	(2,300,000)
Conditions still to be met- transferred to liabilities	**-**	**-**

Municipal Performance Management Systems

Balance unspent at beginning of year	-	133,950
Conditions met - transferred to revenue	-	(133,950)
Conditions still to be met- transferred to liabilities	**-**	**-**

LED Learnership SETA

Balance unspent at beginning of year	374,905	374,905
Conditions met - transferred to revenue	(374,905)	-
Conditions still to be met- transferred to liabilities	**-**	**374,905**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

25. Government grants and subsidies (continued)

Fire Support Program		
Current-year receipts	7,500,000	-
Conditions still to be met- transferred to liabilities	**7,500,000**	**-**

Other grants and subsidies

26. Other income

Commissions received	13,129	-
Reversal of provision for bad debt	990,347	-
Acknowledgement of unallocated income	692,361	555,394
Anonymous receipts	50	-
Clearance certificate fees	2,712	-
	1,698,599	**555,394**

27. General expenses

Advertisement	356,321	423,083
Assessment rates & municipal charges	352,006	275,435
Auditors remuneration	997,918	1,179,537
Bank charges	127,136	116,969
Cleaning of Overgrown Stands	1,950	57,490
Consulting and professional fees	2,196,717	1,284,745
Consumables	96,013	159,320
Entertainment - General	429,006	355,765
General Expenses - Other	325,776	180,543
Gifts	173,919	117,970
Insurance	208,870	195,762
Conferences and seminars	608,877	455,811
Skills Development Levy	294,627	241,809
Compensation Commissioner	444,085	778,593
Magazines, books and periodicals	21,548	25,120
Motor vehicle expenses	632,539	406,446
Public Participation Expenses	123,990	83,328
Pest control	237,258	-
Testing of Samples - Health	20,965	3,542
Postage and courier	2,625	29,368
Printing and stationery	562,406	372,616
Protective clothing	49,287	1,480
License fees- Other	10,297	16,925
Membership fees	369,898	85,580
Telephone and fax	620,978	541,506
Subsistence and Travel	564,852	765,285
International Trips	1,383,086	384,381
Office Rentals	680,079	601,060
Business Expenses Councillor and Directors	218,680	136,341
Audit Committee Members - Remuneration	126,294	91,694
Legal Fees	51,323	107,837
Moral Regeneration Expenses	568,868	298,393
Training and Development - Councillors	443,639	329,375
Training and Development - Employees	446,763	159,526
Events and Campaigns	536,433	1,062,703
IDP Review Expenses	185,499	-
Plants and Chemicals	325,562	293,747
	14,796,090	**11,030,135**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

28. Employee related costs

Basic Salaries	21,623,924	25,612,515
Redemption of Leave	1,372,709	416,508
Cell Phone Allowances	457,609	337,814
Overtime payments	139,024	137,674
13th Cheques	1,342,884	954,736
Car allowance	3,054,107	2,408,949
Housing benefits and allowances	303,999	233,420
Salary Claims - Local Councils	3,962,046	-
Standby Allowances	32,584	13,213
Allowances Uniforms	16,567	9,456
Pension Fund - Councils' Contributions	2,713,386	2,308,476
Medical aid - Councils' contributions	898,995	1,418,691
Group Life Insurance - Councils' Contributions	94,098	100,236
UIF	116,664	95,855
Industrial Council	3,434	2,891
Post-employment benefits - Defined benefit plan	675,234	-
Performance Bonuses	411,621	327,064
Long-service awards	241,882	-
	37,460,767	**34,377,498**

Remuneration of municipal manager

Annual Remuneration	756,089	597,040
Car Allowance	182,400	182,400
Contributions to UIF, Medical and Pension Funds	72,000	72,000
	(1,010,489)	**(851,440)**

Remuneration of chief finance officer

Annual Remuneration	374,997	520,817
Car Allowance	63,000	108,000
Performance Bonuses	-	60,088
Contributions to UIF, Medical and Pension Funds	43,067	38,830
	481,064	**727,735**

Remuneration of manager corporate services

Annual Remuneration	644,306	500,262
Car Allowance	104,288	125,146
Performance Bonuses	-	60,088
Contributions to UIF, Medical and Pension Funds	93,486	42,239
	842,080	**727,735**

Remuneration of manager technical services

Annual Remuneration	394,904	377,974
Car Allowance	148,000	162,000
Performance Bonuses	-	60,088
Contributions to UIF, Medical and Pension Funds	158,901	127,673
	701,805	**727,735**

Remuneration of manager local economic development

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

28. Employee related costs (continued)

Annual Remuneration	594,605	513,072
Car Allowance	84,000	84,000
Performance Bonuses	-	34,800
Contributions to UIF, Medical and Pension Funds	50,994	-
	729,599	**631,872**

Remuneration of manager public safety

Annual Remuneration	514,023	485,145
Car Allowance	100,219	100,220
Contributions to UIF, Medical and Pension Funds	59,637	-
	673,879	**585,365**

Remuneration of the manager environmental health

Annual Remuneration	535,200	478,000
Car Allowance	72,000	72,000
Contributions to UIF, Medical and Pension Funds	64,251	-
	671,451	**550,000**

29. Remuneration of councillors

Executive Major	604,157	495,142
Single Whip	457,826	378,302
Mayoral Commitee Members	1,891,559	2,310,960
Speaker	406,071	402,563
Councillors	1,865,231	1,231,562
Councillors' pension contribution	569,094	495,011
	5,793,938	**5,313,540**

30. Investment revenue

Dividend revenue		
Sanlam Shares	1,651	-

The share holding in Sanlam was received due to the issuing of a certain number of shares for policies that was in the name of the municipality

Interest revenue		
Investments and call deposits	15,595,193	14,239,493
Interest charged on trade and other receivables	-	1,074,322
	15,595,193	**15,313,815**
	15,596,844	**15,313,815**

The interest income is calculated using the actual effective interest rate received on investments and call deposits.

31. Depreciation and amortisation

Property, plant and equipment	2,317,289	1,579,266
	2,317,289	**1,579,266**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

32. Impairment of assets

Impairment of financial assets		
Consumer Debtors	647,790	5,430,633
Trade and other receivables	4,318,500	4,626,714
Long - term Receivables	16,715	71,684
	(4,983,005)	**(10,129,031)**

The provision for bad debt on other debtors (loans and receivables) exists predominantly due to the possibility that this debt will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.The total amount of the provision for bad debt is standing on R 4,983,005 and the abovementioned loans and receivables are included therein.

33. Auditors' remuneration

Fees	997,918	1,153,802
Expenses	(997,918)	(1,139,748)
	-	**14,054**

Figures in Rand	2009	2008

34. Rental income of facilities and equipment

Facilities and equipment		
Rental of facilities	28,207	39,100
	28,207	**39,100**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

35. Contracted Services

Information Technology Services	642,227	-
Other Contractors	1,011,586	2,735,511
	1,653,813	**2,735,511**

36. Grants and subsidies paid

City of Matlosana	19,439,565	25,192,235
City Council of Tlokwe	9,824,982	6,911,068
Merafong City Local Municipality	6,741,358	14,217,191
Ventersdorp Local Municipality	3,077,711	5,721,477
Maquassi Hills Local Municipality	12,906,626	2,283,918
Dr Kenneth Kaunda District Municipality	18,761,907	9,989,379
	70,752,149	**64,315,268**

Details of Grants paid - Dr Kenneth Kaunda District Municipality		
Merit bursary Community	645,689	479,288
Merit bursary employees	152,394	124,916
Disaster Management Planning	298,328	311,404
Special Discretionary on Merit	1,484,379	700,807
Promotion and Marketing DED	135,300	191,085
SODA	1,000,000	1,000,000
District Expo	84,526	45,400
SMME Workshop/Summit	99,210	39,597
Traditional Food/Cultural festival	-	195,516
Tourism Products Training	-	16,549
Identify/Preservation of Tourism/Heritage Sites	575,505	302,145
Tourism Information Centre	40,000	30,000
2010 Development Plan	583,400	120,791
Local/International Games	-	479,172
Agricultural Summit/Strategy	-	534,735
Food Production Household Levels	-	100,455
Woman/Youth Agri Skills Development	-	65,318
Business development Centre	-	3,694
Disaster Management Awareness	305,211	140,828
Disaster Management Relief	44,400	35,889
Disaster Management Advisory Forum	39,678	13,750
Emergency Funding Major Incident	-	9,669
SAFA Vodacom	-	1,100,000
Communication Unit	-	590,450
Sport, Arts and Culture	-	539,057
Promotion and Marketing	198,015	19,943
Grants & Subsidies conditional grants	-	2,472,616
Integrated Development Plan (IDP)	-	217,266
Uninterrupted power supply	-	109,039
Special Projects Desk	1,214,874	-
Communication Unit	682,795	-
Mayoral Golf Fund	50,000	-
Development of School Sports	156,700	-
Tourism & Marketing	95,788	-
Community Agricultural Support	91,750	-
Tourism Awareness	29,694	-
Exhibitions	74,997	-
Skills, Training & Mentorship	32,058	-
Entrepreneurial Month	41,880	-
Led Leadership Programme	3,500	-
DGDS/Agric Summit Business Plans	320,351	-
Women in Sports	243,450	-

Notes to the Annual Financial Statements

Figures in Rand	2009	2008
36. Grants and subsidies paid (continued)		
Local and International Games	395,977	-
Codes Development	191,448	-
Active Oldies Game	1,123	-
Maintenance Of Identified Heritage S	72,000	-
SAMSRA Games	148,423	-
Cultural Festival	159,000	-
Skills Development and Training	9,521	-
Maintenance Rural Roads	1,908,160	-
Electricity Programme	362,614	-
Housing Project & Infrastrc. Baitshoki	1,557,000	-
Rural Sannitation &Water Backlog @ Schools	1,786,344	-
Upgrading of Parks	208,558	-
Scheikenmaster Meat Processing	2,500,000	-
Dr Kenneth Kaunda Tourism Association	50,000	-
Small Scale Farmers Tech. Support	192,340	-
N12 Treasure Route	30,000	-
Resource & Support Centre	50,000	-
Rural Development Games	295,527	-
GIS Development	120,000	-
	18,761,907	**9,989,379**

Details of Grants paid - City of Matlosana		
Mayoral Roads	-	704,189
Buckle and Phuduhudu Roads Developments	-	153,048
CCTV Cameras	10,295,607	7,809,402
Environment Youth Services (Cleaning Campaign)	-	3,000,000
2010 Soccer World Cup Legacy	-	2,000,000
Special project desk	-	643,252
Wesvaal Argricultural projects	-	585,000
10ml Reservoir Hartebeesfontein/Tigane	5,879,127	4,826,152
Solid Waste Handling-Matlosana	342,328	5,471,192
Khuma Main Road (Malekhutu)	997,503	-
Mayoral Project Matlosana	1,500,000	-
District Agricultural Projects	425,000	-
	19,439,565	**25,192,235**

Details of Grants paid - City Council of Thlokwe		
Branding	-	500,000
Mayoral projects	-	5,000,000
Rysmierbult Clinic	614,762	566,770
Special project desk	-	197,576
Growth and Development strategies	-	260,000
Drikus Malan Bridge	7,963,765	386,723
Tlokwe Beans Project	122,807	-
Zonderwater Geostudy	1,123,649	-
	9,824,983	**6,911,069**

Details of Grants paid - Merafong City Local Municipality		
Emergency services	-	8,322,305
Growth and Development strategies	-	65,000
Cleaning Compaign	-	5,745,730
Paupers funeral	-	6,401
Special project desk	-	52,999
Telephone and Additional Services	45,199	24,757
Mayoral Project Merafong	5,000,000	-
Sewer Pipeline Kokosi	944,767	-
Water Pipeline (Fochville)	734,172	-
Fire support program	17,220	-

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

36. Grants and subsidies paid (continued)

	6,741,358	**14,217,192**

Details of Grants paid - Ventersdorp Local Municipaliity		
Cemeteries Development	-	1,425,713
Electricity Upgrade	-	1,750,000
Fencing Rural Cemeteries	-	97,858
Growth and Development strategies	-	65,000
Mayoral projects	284,746	1,000,000
Rural Areas Water Network	-	170,091
Telephone and Additional Services	-	2,005
Special project desk	-	38,590
Administration Charges	-	5,655
Formalization of Rural Settlement	686,511	582,214
High Mast Lights	1,641,775	584,351
Ventersdorp Vineyard Project	257,608	-
Paupers Funerals	124,882	-
Township Establish. Toevlug Ventersdorp	82,190	-
	3,077,712	**5,721,477**

Details of Grants paid - Maquassi Hills Local Municipaliity		
Growth and Development strategies	-	130,000
Special project desk	-	98,211
Development of Cemeteries	-	800,019
Water Awareness Campaign	-	161,876
Lebaleng Storm Water	5,812,383	581,694
Electricity Upgrade	385,350	512,117
Main Road Wolmaransstad	3,833,582	-
Mayoral Project M/Hills	1,677,537	-
Maquassi Hills Piggery	98,428	-
M/Hills Streetlights Tswelelang	38,900	-
Investigation Elect. Loss M/Hills	1,060,445	-
	12,906,625	**2,283,917**
Total grants and subsidies paid	**70,752,150**	**64,315,269**

37. Cash generated from (used in) operations

Surplus before taxation	12,567,411	7,268,542
Adjustments for:		
Depreciation and amortisation	2,373,222	1,523,333
Deficit (surplus) on sale of assets	1,460,884	(16,000)
Dividends received	(1,651)	-
Interest received	(15,595,193)	(15,313,815)
Finance costs	16,653	24,495
Provision for leave reserve	1,039,034	-
Movements in bad debt provision	-	2,674,469
Movements in provisions	509,946	112,000
Other non-cash items	(1,168)	-
Operating surplus before working capital changes	2,369,138	(3,726,976)
Changes in working capital:		
Trade and other receivables	(12,306)	(3,273,987)
Consumer debtors	1,901	2,108,677
Increase/(Decrease) in trade and other payables	(4,519,978)	2,614,266
VAT	(453,866)	1,747,296
Increase/(Decrease) in conditional grants and receipts	6,059,600	(1,854,932)
Changes in net assets - Merafong Flora	-	1,004,757
	3,444,489	**(1,380,899)**

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

37. Cash generated from (used in) operations (continued)

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

38. Commitments

Authorised capital expenditure

Approved and contracted for		
• Infrastructure	2,116,418	18,100,000
• community	1,397,841	1,860,000
• Other	643,000	1,177,956
Total approved and contracted for	4,157,259	21,137,956
Approved but not yet contracted for		
Infrastructure	-	6,050,000
	-	**6,050,000**
This expenditure will be financed from:		
Own resources	4,157,259	22,987,956
Contributions local councils	-	4,200,000
	4,157,259	**27,187,956**

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	10,615,182	-
- in second to fifth year inclusive	15,998,783	-
	26,613,965	**-**

Operating lease payments represent rentals payable by the municipality for:
1.Public Surveilance System (CCTV and Security Service)
The municipality lease a Public Surveilance System. The lease was classified as a operating lease the following grounds:1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.

Clause1 SERVICE DESCRIPTION states that the the lessee shall install, operate, maintain, and insure the CCTV System. The original agreement was signed on the 2 Nov 2005 and the period for the lease was 36 months. A new lease contract was entered into and signed on the 7 Nov 2008 for a further period of 36 months
The monthly lease amount as per the agreement is R819,072.70 (Exl VAT), with a 12% escalation per year.

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 7 Nov 2008
Accumulative annual escalation is 12%
Option to renew the contract for another 36 months is included under PERIOD OF LEASE paragraph 2.2

2. Nashua
The municipality lease a printer (AF 3500DN serial no Q6560100140) from Nashua. The lease was classified as a operating lease the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.

3.Nashua shall maintain an service the equipment.
4.The agreement was signed on the 23 Oct 2006 and the period for the lease was 36 months.
3.The monthly lease amount as per the agreement is R275.00 (Excl VAT), No escalation was agreed on in the lease

Figures in Rand	2009	2008

38. Commitments (continued)

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 23Oct 2006
No accumulative annual escalation is included in the lease
No Option to renew the contract is stipulated in the lease

3. Nashua
The municipality lease an copier (AF 3030 PS serial no K8664101495) from Nashua. The lease was classified as a operating lease the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2..The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.

3. Nashua shall maintain and service the equipment.
4.The agreement was signed on the 23 Oct 2006 and the period for the lease was 36 months.
5.The monthly lease amount as per the agreement is R2179.00 (Excl VAT), No escalation was agreed on in the lease.

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 23Oct 2006
No accumulative annual escalation is included in the lease
No Option to renew the contract is stipulated in the lease.

39. Correction of errors

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

	2009	2008
Transaction affecting bank balances		
Statement of financial position - Bank and cash equivalents	-	334,585
Statement of financial performance - Accumulated surplus	-	(334,585)
	-	**-**

The bank balances and cash equivalents was understated with the amount of R334,585 regarding the Merafong Flora project that was transferred from the West Rand District Municipality in 2007/2008. The R334 585 was made up of R1,004, 621 received the 1st of july 2007 and deficit for 2007/2008 of R670,036.

	2009	2008
Transactions affecting the disclosure of operating leases		
Statement of financial position - Current liabilities	-	(302,227)
Statement of financial performance - Accumulated surplus	-	302,227
	-	**-**

Current liabilities on operating lease Morubisi Technologies restated due to the implementation of GRAP 3.

	2009	2008
Transactions affecting current liabilities - Compensation Commisioner		
Statement of financial position - Creditors	-	(588,949)
Statement of financial performance - Accumulated surplus	-	588,949
	-	**-**

Assesment on Compensation Commissioner levy for the 2006/7 and 2007/8 financial years recieved on 24/07/2009 Correction of this levy is restated in the 2007/8 financial statements.

	2009	2008
Transactions affecting the the disclosure of finance lease-Lease previously recorded as operating lease		
Statement of financial position - Non - current liabilities	-	(57,417)

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

39. Correction of errors (continued)

Statement of financial position - Current liabilities	-	(56,370)
Statement of financial position - Assets	-	113,787
	-	-

Correction of an Finance lease that was treated as an operating lease in prior years. The carrying value of the PABX System that is equal to the non- current and current liabilities.

Transactions affecting the disclosure of assets - Merafong Flora Project

Statement of financial position - Assets	-	11,204,329
Statement of financial performance - Accumulated surplus	-	(11,204,329)
	-	-

Restatement of the capitalisation of the assets of the Merafong Flora project that was transferred from the West Rand District Municipality.

Transactions affecting the disclosure of finance leases previously disclosed as operating leases Statement of performance

Statement of financial performance - Depreciation	-	55,933
Statement of financial performance - Finance charges	-	24,495
Statement of financial performance - Accumulated surplus	-	(80,428)
	-	-

Depreciation and finance charges restated on the PABX System for the 2007/2008 finacial year.

Transactions affecting the disclosure of the operations of Merafong Flora project

Statement of financial performance - Sale of Flowers	-	(520,752)
Statement of financial performance - Employee related costs	-	837,582
Statement of financial performance - General expenses	-	353,207
Statement of financial performance - Accumulated surplus	-	(670,037)
	-	-

Restatement of the operations of the Merafong Flora project for the 2007/2008 financial year.

40. Comparative figures

41. Risk management

Financial risk management

The municipality's is expose to a variety of financial risks: market risk , fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, but the exposure is limited and manageble.

Liquidity risk

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.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income received on interest on investments are dependent of changes in market interest rates.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months.The current Interest rate shown below is the interest on call investment deposits at year end or the average interest earned during the past year under review

41. Risk management (continued)

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	4.25 %	10,148,475	-	-	-	-
Call investment deposits	7.25 %	113,000,000	-	-	-	-
Investments	8.80 %	8,723,066	-	-	-	-

Credit risk

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

Receivables and Other Debtors are individually evaluated annually at statement of financial position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/ discounting, where applicable.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2009	2008
Investments	8,723,066	7,972,702
Call investment deposits	113,000,000	106,000,000
Consumer debtors	-	1,901
Trade and other receivables	698,773	568,163
Bank balances and cash	9,448,741	426,495

The maximum credit and interest risk exposure in respect of the relevant financial instruments amounts to as indicated above.

42. Fruitless and wasteful expenditure

	2009	2008
Fruitless and wasteful expenditure	276	-
	276	**-**

Fruitless and wasteful expenditure represent interest on late payment

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2009	2008
Current year subscription	368,374	84,673
Amount paid - current year	(132,842)	(84,673)
Amount paid - previous years	(235,532)	-
	-	**-**

Audit fees

	2009	2008
Opening balance	14,054	-
Current year audit fee	983,864	1,153,802
Amount paid - current year	(983,864)	(1,139,748)
Amount paid - previous years	(14,054)	-
	-	**14,054**

PAYE and UIF

	2009	2008
Current year payroll deductions	5,893,975	4,519,609

Notes to the Annual Financial Statements

Figures in Rand	2009	2008

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

Amount paid - current year	(5,893,975)	(4,519,609)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	4,259,672	5,426,220
Amount paid - current year	(4,259,672)	(5,426,220)
	-	-

VAT

VAT receivable	4,469,403	4,015,537
	4,469,403	**4,015,537**

VAT output payables and VAT input receivables are shown in note 14.

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

44. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E (1) for the comparison of actual operating expenditure versus budgeted expenditure.

45. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E (2) for the comparison of actual capital expenditure versus budgeted expenditure.

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

.See the attached annexure regarding deviations from supply chain regulations.

47. Water Services Authorities - transfer of assets & liabilities

The Government Gazette No. 24228 of 3 January 2003 was promulgated by the Minister responsible for Provincial and Local Government. In this Gazettte the municipalities of Tlokwe, Matlosana, Maquassi Hills and Ventersdorp were made Water Services Authorities (WSA). In terms of this Gazette the relevant Category B Municipalities are responsible for the assets and liabilites relating to the bulk water and sanitation.services. All relevant external loans and assets are transfered to the Category B Municipalities in the 2007/2008 financial year. We are still in the proces to unbundle the bulk infrastructural assets and this process will be finalized before the June 2010.