

Annual Financial Statements

for

Great Kei Municipality

for the year ended 30 June: **2010**

Province:

Eastern Cape

AFS rounding:

R (i.e. only cents)

Contact Information:

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Great Kei Municipality
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

Members of the Council

N. Tekile	Speaker/ Mayor
M. Mali	Member
N. Pan	Member
Z. Mpondo	Member
W. Hollington	Member
N. George	Member
N. Moli	Member
N. Dyani	Member
M. Kema	Member
W. Ndoro	Member
Z. Blom	Member
F. Lewis	Member

Acting Municipal Manager

Mr NM Mkohlakali

Chief Financial Officer

Mrs P Gwana

Grading of Local Authority

Grade 2

Auditors

Auditor-General - Eastern Cape

Bankers

The Standard Bank of South Africa

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General information (continued)

Registered Office:	Komga
Physical address:	Cnr Main and Station Street Komga 4950
Postal address:	Private Bag X2 Komga 4950
Telephone number:	(043) 831 1028
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 3 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which I have been signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors and payments made to Councillors for loss of office, if any, as disclosed in note 34 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister Co-operative and Traditional Affairs determination in accordance with this Act.

Acting Municipal Manager: Mr NM Mkohlakali

31 August 2010

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Great Kei Municipality
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Current assets			
Cash and cash equivalents	1	4 975 581	4 963 596
Trade and other receivables from exchange transactions	2	16 163 069	16 515 209
Other current financial assets	4	434 738	3 768 472
Investments	7	13 447 048	3 895 484
VAT receivable	18	2 872 729	851 392
Non-current assets			
Non-current receivables	8	20 509	11 594
Investments	10	442 807	2 241 373
Property, plant and equipment	11	834 912	-
Total assets		39 191 393	32 247 120
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	16	6 392 878	7 056 943
Consumer deposits	17	109 943	93 049
Current provisions	20	1 551 749	963 078
Current portion of unspent conditional grants and receipts	21	(1 652 377)	3 917 591
Other current financial liabilities	24	1 502 754	10 133 158
Non-current liabilities			
Non-current borrowings	22	3 428 761	5 771 058
Total liabilities		11 333 708	27 934 877
Net assets		27 857 685	4 312 243
NET ASSETS			
Accumulated surplus / (deficit)		27 857 685	4 312 243
Total net assets		27 857 685	4 312 243

Great Kei Municipality
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	26	6 267 095	4 167 996
Service charges	27	6 027 330	6 375 336
Rental of facilities and equipment	28	342 522	481 712
Interest earned - external investments	29	794 833	213 070
Fines		12 800	-
Licences and permits		1 739 980	1 079 389
Government grants and subsidies	31	29 751 762	26 134 190
Other income	32	348 687	852 223
Total revenue		45 285 008	39 303 917
Expenses			
Employee related costs	33	13 606 171	5 987 816
Remuneration of councillors	34	2 550 483	1 740 191
Bad debts		-	1 394 732
Repairs and maintenance		2 330 784	2 721 552
Finance costs	36	474 454	17 782
Bulk purchases	37	4 264 019	2 872 396
General expenses	40	5 748 778	8 774 896
Total expenses		28 974 689	23 509 365
Surplus / (deficit) for the period		16 310 319	15 794 552

Great Kei Municipality
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

	Note	Accumulated	Total: Net Assets
		Surplus/(Deficit)	
		R	R
Balance at 30 June 2008		(9 778 233)	(9 778 233)
Changes in accounting policy	47	1 117 555	1 117 555
Correction of prior period error	48	4 413 492	4 413 492
Restated balance		(4 247 186)	(4 247 186)
Surplus / (deficit) on revaluation of property of property, plant and equipment			
Surplus / (deficit) for the period		15 794 552	15 794 552
Balance at 30 June 2009		11 547 366	11 547 366
Surplus / (deficit) on revaluation of property of property, plant and equipment			
Surplus / (deficit) for the period		16 310 319	16 310 319
Balance at 30 June 2010		27 857 685	27 857 685

Great Kei Municipality

CASH FLOW STATEMENT

as at 30 June 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		45 285 008	41 631 404
Taxation		6 267 095	4 178 398
Sales of goods and services		7 767 310	8 061 302
Grants		29 751 762	27 840 952
Interest received		794 833	216 817
Other receipts		704 008	1 333 935
Payments		37 885 081	31 966 484
Employee costs		16 156 654	11 359 059
Suppliers		21 253 974	19 797 720
Interest paid		474 454	809 706
Net cash flows from operating activities	44	7 399 927	9 664 920
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(834 912)	(8 399 402)
Net cash flows from investing activities		(834 912)	(8 399 402)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	3 316 043
Repayment of borrowings		(201 503)	(3 205 255)
Net cash flows from financing activities		(201 503)	110 788
Net increase / (decrease) in net cash and cash equivalents		6 363 512	1 376 306
Net cash and cash equivalents at beginning of period		12 501 924	11 125 618
Net cash and cash equivalents at end of period	45	18 865 436	12 501 924

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

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

In accordance with section 122(3) of the Municipal Finance Management Act (Act No.56 of 2003), the Municipality has adopted Standards of GRAP issued by the Accounting Standards Board during the financial year, which are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible.

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

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

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

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

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

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.

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

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

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

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of non cash generating assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 25 Employee benefits - issued November 2009
GRAP 26 Impairment fo cash generating assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 104 Financial Instruments - issued October 2009

Applicatin of all of the above GRAP standards will be effective from a date to be announced by the

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

IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
IAS 39 Financial Instruments: Recignition and Measurement - portions of standard effective 1 July 2009
IFRS 7 Financial Instrument Disclosure - issued August 2009

Management has considered all of the above mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

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

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

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

2.4 DEPRECIATION AND IMPAIRMENT

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

Infrastructure		Other	
Roads and Paving	6 to 55 Years	Office equipment	10 Years
Pedestrian Malls		Furniture and fittings	6 Years
Electricity		Computer equipment	3 - 4 Years
Water		Traffic Equipment	5 Years
Sewerage		Safety and Security	25 Years
		Garden	5 - 10 Years
		Generator	5 Years
Community			
Buildings			
Recreational Facilities			
Security			
Halls			
Libraries			
Parks and gardens			
Other assets			
Heritage assets			
Buildings			
Paintings and artifacts			

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

Finance lease assets

Office equipment
Other assets

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

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

2.5 DERECOGNITION

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

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

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

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

Intangible assets are initially recognised at cost.

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software	3-4 Years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

3.4 DERECOGNITION

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

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

Investment property	30 Years
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5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

5.2.1 INVESTMENTS

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

5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

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

5.2.3 TRADE PAYABLES AND BORROWINGS

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

5.2.4 CASH AND CASH EQUIVALENTS

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

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

6 UNAUTHORISED EXPENDITURE

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

7 IRREGULAR EXPENDITURE

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

8 FRUITLESS AND WASTEFUL EXPENDITURE

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

9 PROVISIONS AND CONTINGENCIES

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

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

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

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

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

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

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

10 LEASES

10.1 MUNICIPALITY AS LESSEE

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

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

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

10.2 MUNICIPALITY AS LESSOR

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

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

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements.

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

Interest revenue is recognised on a time proportion basis.

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

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

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

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

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

11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

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

11.3 GRANTS, TRANSFERS AND DONATIONS

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

12 BORROWING COSTS

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

13 EMPLOYEE BENEFITS

13.1 SHORT TERM EMPLOYEE BENEFITS

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs

The municipality has opted to treat its provision for leave pay as a provision

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related services. The liability for the leave pay is based on the total accrued leave days at year end and is shown as a provision. The municipality recognised the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior period.

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

14 IMPAIRMENT OF ASSETS

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

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

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This

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

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

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

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

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

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

Great Kei Municipality
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

15 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the payment basis

16 TRANSITIONAL PROVISIONS

The Municipality has taken advantage of the transitional provisions for Medium and Low Capacity Municipalities as set out in Directive 4 paragraph .63 to .70 (Investment property), .73 to .83 (Property, plant and equipment) and .110 to .118 (Intangible assets) issued by the Accounting Standards Board. This further brings into effect paragraph .94E of Directive 4 which indicates that municipalities are not required to recognise provisions (which form part of the cost of an asset) in their financial statements as a result of applying the transitional provisions in other Standards of GRAP and are required to apply the disclosure requirements about the provisions related to those assets in accordance with the relevant GRAP standard.

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		6 346	20 405
Cash at bank		4 962 889	4 922 785
Call deposits			
		4 969 235	4 943 191
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
Standard Bank 28 072 096 3 Operating account			
Absa Bank 7 0014 6707 Operating account			
Standard Bank 28 597 345 2 Traffic fines			
Standard Bank 28 5946 11 0 Traffic fines			
Cash book balance at beginning of year		4 943 191	9 645 101
Cash book balance at end of year		4 969 235	4 943 191
<u>Cash on hand</u>		6 346	20 405
Total cash and cash equivalents		4 975 581	4 963 596
Total bank overdraft		-	-
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
<u>Trade receivables</u>	Gross	Provision for	Net Balance
as at 30 June 2010	Balances	Doubtful Debts	R
	R	R	
Service debtors	19 283 257	(4 055 204)	15 228 053
Total	19 283 257	(4 055 204)	15 228 053
as at 30 June 2009			
Service debtors	14 936 820	1 578 389	16 515 209
Total	14 936 820	1 578 389	16 515 209
<u>Other receivables</u>			
At 30 June 2010			935 016
At 30 June 2009			-
Total Trade and other receivables at 30 June 2010			16 163 069
Total Trade and other receivables at 30 June 2009			16 515 209
<u>Services debtors: Ageing</u>			
Current (0 – 30 days)		483 188	488 725
31 - 60 Days		41 366	429 748
61 - 90 Days		396 691	402 073
91 - 120 Days		455 167	329 851
120+ days		18 989 840	13 292 041
Total		20 366 252	14 942 438

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

<u>Summary of Debtors by Customer Classification</u>	Note	2010 R	2009 R
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2010			
Current (0 – 30 days)	344 150	124 657	14 381
31 - 60 Days	309 170	88 911	15 585
61 - 90 Days	281 520	101 605	13 566
91 - 120 Days	275 571	165 436	14 161
120+ days	14 470 516	4 103 749	415 575
Sub-total	15 680 926	4 584 358	473 268
Less: Provision for doubtful debts			
Total debtors by customer classification	15 680 926	4 584 358	473 268

Reconciliation of the doubtful debt provision

Balance at beginning of the year	4 055 204	(14 936 820)
Contributions to provision	-	-
Doubtful debts written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	4 055 204	(14 936 820)

4 OTHER CURRENT FINANCIAL ASSETS

Other current financial assets	434 738	3 768 472
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7 INVESTMENTS

Deposits	-	-
Call investments	13 447 048	3 895 484
	13 447 048	3 895 484

8 NON-CURRENT RECEIVABLES

Car loans	-	-
Staff loans	16 741	-
Housing selling scheme loans	-	-
Other non-current receivables	3 768	11 594
	20 509	11 594

Less : Current portion transferred to current receivables

Car loans	-	-
Staff loans	-	-
Housing selling scheme loans	-	-
Other non-current receivables	-	-

Total	20 509	11 594
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10 INVESTMENTS

Financial Instruments

Fixed Deposits	-	-
Listed Investments	-	-
Other Investments	442 807	2 241 373
	442 807	2 241 373

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

11 PROPERTY, PLANT AND EQUIPMENT

11.1 Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Correction of error (note 48)	-	-	-	-	-	-	-	-
Change in accounting policy (note 47)	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	521 914	-	-	312 997	-	834 912
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2010	-	-	521 914	-	-	312 997	-	834 912
Cost/Revaluation	-	-	521 914	-	-	312 997	-	834 912
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
16 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		6 392 878	7 056 943
Total creditors		6 392 878	7 056 943
The fair value of trade and other payables approximates their carrying amounts.			
17 CONSUMER DEPOSITS			
Electricity and Water		109 943	93 049
Accrued interest		-	-
Total consumer deposits		109 943	93 049
18 VAT RECEIVABLE			
VAT receivable		2 872 729	851 392
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
20 PROVISIONS			
Performance bonus		577 550	262 504
Current portion of long-service provision (see note 25)		-	-
Provision for leave		974 199	700 574
Other provisions		-	-
Total Provisions		1 551 749	963 078
The movement in current provisions are reconciled as follows: -			
		Performance Bonus R	Provision for leave R
as at 1 July 2009		577 550	974 199
Contributions to provision		-	-
Expenditure incurred		-	-
as at 30 June 2010		577 550	974 199
as at 1 July 2008		262 504	700 574
Contributions to provision		-	-
Expenditure incurred		-	-
as at 30 June 2009		262 504	700 574
21 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Non-current unspent conditional grants and receipts		-	-
Current portion of unspent conditional grants and receipts		(1 652 377)	3 917 591
See Note 31 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.			
	Notes15-61!A291		
22 BORROWINGS			
Other borrowings		3 428 761	5 771 058
Total borrowings		3 428 761	5 771 058
24 OTHER FINANCIAL LIABILITIES			
24.2 OTHER CURRENT FINANCIAL LIABILITIES			
Other current financial liabilities		1 502 754	10 133 158

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
26 PROPERTY RATES			
<u>Actual</u>			
Residential		5 387 202	3 592 531
Commercial		879 893	575 465
Total property rates		6 267 095	4 167 996
Property rates - penalties imposed and collection charges		-	-
Total		6 267 095	4 167 996
<u>Valuations</u>			
Residential		1 646 273 291	1 646 273 291
Commercial		143 051 165	143 051 165
State		89 776 586	89 776 586
Municipal		289 763 212	289 763 212
Other		1 348 452 378	1 348 452 378
Total Property Valuations		2 168 864 254	2 168 864 254
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.</p> <p>A general rate of Rx (20X0) is applied to property valuations to determine assessment rates. Rebates of x% are granted to residential and state property owners. Rates are levied on an annual basis on property owners.</p> <p>Rates are levied on an annual basis with the final date of payment being 30 November 20X1 (20X0: 30 November). Interest at x% per annum (20X0:x%) is levied on outstanding rates as well as x% (20X0: x%) collection charge two months after final date of pay</p>			
27 SERVICE CHARGES			
Sale of electricity		2 506 905	2 734 611
Sale of water		-	-
Refuse removal		3 520 425	3 640 725
Sewerage and sanitation charges		-	-
Total Service Charges		6 027 330	6 375 336
28 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		342 522	481 712
Total rentals		342 522	481 712
29 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		794 833	213 070
Total interest		794 833	213 070
31 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		19 740 786	11 516 007
MIG Grant		8 892 224	4 762 776
Other Government Grants and Subsidies		1 118 752	9 855 407
Total Government Grant and Subsidies		29 751 762	26 134 190

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
31.2 MIG Grant			
Balance unspent at beginning of year		1 503	
Current year receipts		8 617 540	5 721 000
Conditions met - transferred to revenue		(9 283 507)	(5 719 497)
Conditions still to be met - remain liabilities (see note 21)	Notes15-61!A124	<u>(664 464)</u>	<u>1 503</u>

Provide explanations of conditions still to be met and other relevant information

31.3 Other Government Grants and Subsidies

Balance unspent at beginning of year		475 068	
Current year receipts		1 735 000	2 700 000
Conditions met - transferred to revenue		(915 733)	(2 224 932)
Conditions still to be met - remain liabilities (see note 21)	Notes15-61!A124	<u>1 294 335</u>	<u>475 068</u>

Provide explanations of conditions still to be met and other relevant information

31.4 Changes in levels of government grants

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

32 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

32.1 Other income		348 687	852 223
Recovery of unauthorised, irregular, fruitless and wasteful expenditure (Note 50) Notes15-61!A684		-	-
Total Other Income		<u>348 687</u>	<u>852 223</u>
32.1 Public contributions and donations		348 687	852 223
Total public contributions and donations		<u>348 687</u>	<u>852 223</u>

33 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages		8 334 562	5 626 849
Employee related costs - Contributions for UIF, pensions and medical aids		3 610 449	581 322
Travel, motor car, accommodation, subsistence and other allowances		-	1 337
Performance and other bonuses		6 219	(620 000)
Other employee related costs		1 654 942	398 308
Total Employee Related Costs		<u>13 606 171</u>	<u>5 987 816</u>

The following employee related cost is include above and is disclose as required by S124(1) of the MFMA

Remuneration of the Municipal Manager

Annual Remuneration		314 864	310 200
Travel, motor car, accommodation, subsistence and other allowances		172 333	206 800
Contributions to UIF, Medical and Pension Funds		1 373	1 497
Total		<u>488 570</u>	<u>518 497</u>

Remuneration of the Chief Finance Officer

Annual Remuneration		333 451	333 451
Travel, motor car, accommodation, subsistence and other allowances		120 000	120 000
Contributions to UIF, Medical and Pension Funds		16 857	15 617
Total		<u>470 308</u>	<u>469 068</u>

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Community Services R
2010			
Annual Remuneration	-	198 000	210 000
Travel, motor car, accommodation, subsistence and other allowances	-	397 763	240 000
Contributions to UIF, Medical and Pension Funds	-	1 497	1 497
Total	<u>-</u>	<u>597 260</u>	<u>451 497</u>

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
	Technical Services R	Corporate Services R	Community Services R
2009			
Annual Remuneration	-	159 000	170 100
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	-	206 640	196 800
Contributions to UIF, Medical and Pension Funds	-	1 248	1 248
Total	-	366 888	368 148
34 REMUNERATION OF COUNCILLORS			
Speaker / Mayor		538 278	408 697
Councillors' pension and medical aid contributions		833 978	-
Councillors' allowances		1 178 227	1 331 494
Total Councillors' Remuneration		2 550 483	1 740 191
In-kind Benefits			
36 FINANCE COSTS			
Borrowings		474 454	17 782
Total Finance Costs		474 454	17 782
37 BULK PURCHASES			
Electricity		4 264 019	2 872 396
Total Bulk Purchases		4 264 019	2 872 396
38 CONTRACTED SERVICES			
Contracted services for: The planned repairs and maintenance of the elevator for the period of 10 years with OTIS (Pty) Ltd		10 800	10 800
		10 800	10 800
40 GENERAL EXPENSES			
Included in general expenses are the following:-			
Advertising		416 430	236 082
Admin fees		-	269 742
Audit fees		413 048	575 283
Bank charges		95 307	54 392
Cleaning		-	5 266
Conferences and delegations		82 184	45 047
Consulting fees		413 174	226 896
Consumables		10 480	233 698
Entertainment		256 737	576 065
Fuel and oil		331 324	326 961
Insurance		133 056	95 471
Legal expenses		1 031 950	1 575 571
Licence fees - vehicles		54 671	3 326
Licence fees - computers		9 019	-
Membership fees		109 284	20 225
Postage		1 467	42 679
Printing and stationery		-	36 640
Professional fees		107 996	-
Rental of buildings		122 528	28 256
Rental of office equipment		340	4 246
Other rentals		369 990	293 630
Security costs		-	240 305
Telephone cost		910 591	582 983

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
Training		181 840	149 484
Transport claims		44 085	271 648
Travel and subsistence		166 269	336 994
Uniforms & overalls		-	1 011
Valuation costs		469 298	2 207 215
Other		17 709	335 782
		5 748 778	8 774 896
44 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		15 359 794	16 898 230
Contribution to provisions - current		1 551 749	992 931
Finance costs		474 454	17 782
Interest earned		(794 833)	(216 817)
Other non-cash item		4 000 684	(2 941 867)
Operating surplus before working capital changes:		20 591 848	14 750 259
(Increase)/decrease in trade receivables		427 525	(8 055 278)
(Increase)/decrease in other financial assets		3 258 349	-
(Increase)/decrease in other receivables		(8 915)	(6 024)
(Increase)/decrease in VAT receivable		(2 021 337)	-
Increase/(decrease) in conditional grants and receipts		(5 569 967)	-
Increase/(decrease) in trade payables		(664 065)	2 975 963
Increase/(decrease) in consumer deposits		16 894	-
Increase/(decrease) in other financial liabilities		(8 630 404)	-
Cash generated by/(utilised in) operations		7 399 927	9 664 920
45 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		4 975 581	3 206 408
Call investments		13 889 855	9 295 516
Net cash and cash equivalents (net of bank overdrafts)		18 865 436	12 501 924
47 CHANGE IN ACCOUNTING POLICY			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:			
47.1 Statutory Funds			
Balance previously reported: -			
Revolving Fund			4 856 071
Dog Tax fund			2 322
Total		-	4 858 393
47.7 Accumulated Surplus/(Deficit)			
Implementation of GRAP			
Derecognising of Property Plant and Equipment as part of the restructuring of Fixed asset register and the provision of directive 4			
			(3 740 838)
Transferred from statutory funds (see 47.1 above)			4 858 393
Total		-	1 117 555

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R				
UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED							
50							
50.2 Fruitless and wasteful expenditure							
Reconciliation of fruitless and wasteful expenditure							
Opening balance -			3 391 242				
Fruitless and wasteful expenditure current year:							
Interest on overdue accounts			21 840				
Expenditure incurred on developing Hansen financial accounting system			1 227 287				
Condoned or written off by Council							
Fruitless and wasteful expenditure awaiting condonement		-	<u>4 640 369</u>				
Condoned or written off by Council							
To be recovered – contingent asset (see note 55)	Notes15-61!A883						
Fruitless and wasteful expenditure awaiting condonement		-	<u>9 280 738</u>				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Incident</td> <td>Disciplinary steps/criminal proceedings:</td> </tr> <tr> <td>VAT penalty</td> <td>Disciplinary hearing on xxx</td> </tr> </table>				Incident	Disciplinary steps/criminal proceedings:	VAT penalty	Disciplinary hearing on xxx
Incident	Disciplinary steps/criminal proceedings:						
VAT penalty	Disciplinary hearing on xxx						
50.3 Irregular expenditure							
Reconciliation of irregular expenditure							
Opening balance			101 152 526.00				
			442 343.00				
Councillors overpayment			75 385.00				
Irregular staff appointments			517 728.00				
Condoned or written off by Council							
Transfer to receivables for recovery – not condoned							
Irregular expenditure awaiting condonement		-	<u>102 187 982</u>				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Incident</td> <td>Disciplinary steps/criminal proceedings:</td> </tr> <tr> <td><i>Non-adherence to Supply Chain</i></td> <td><i>Disciplinary hearing</i></td> </tr> </table>				Incident	Disciplinary steps/criminal proceedings:	<i>Non-adherence to Supply Chain</i>	<i>Disciplinary hearing</i>
Incident	Disciplinary steps/criminal proceedings:						
<i>Non-adherence to Supply Chain</i>	<i>Disciplinary hearing</i>						
Supply Chain Management not followed			442 343				
Councillors not paid according to Bearers' Act of 1998			75 385				
Fruitless and wasteful expenditure current year							
Condoned or written off by Council							
Transfer to receivables for recovery – not condoned							
Irregular expenditure awaiting condonement		-	<u>517 728</u>				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Incident</td> <td>Disciplinary steps/criminal proceedings:</td> </tr> <tr> <td><i>Non-adherence to Supply Chain</i></td> <td><i>Disciplinary hearing</i></td> </tr> </table>				Incident	Disciplinary steps/criminal proceedings:	<i>Non-adherence to Supply Chain</i>	<i>Disciplinary hearing</i>
Incident	Disciplinary steps/criminal proceedings:						
<i>Non-adherence to Supply Chain</i>	<i>Disciplinary hearing</i>						
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT							
51							
51.4 PAYE and UIF							
Opening balance		-	-				
Current year payroll deductions		1 740 563	933 686				
Amount paid - current year		(1 597 217)	(766 035)				
Amount paid - previous years		-	-				
Balance unpaid (included in payables)		<u>143 346</u>	<u>167 651</u>				

The balance represents PAYE and UIF deducted from the June 2010 payroll. These amounts were paid during July 2010

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
51.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	735 639	608 668
Amount paid - current year	(603 315)	(519 425)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	132 324	89 243

The balance represents pension and medical aid contributions deducted from employees in the June 2009 payroll as well as Council's contributions to pension and medical aid funds. These amounts were paid during July 2010

51.6 Councillor's arrear consumer accounts

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

as at 30 June 2010

Total	Outstanding less than 90 days	Outstanding more than 90 days	
R	R	R	
Councillor F Lewis	146	146	
Councillor L. Kema	1 880	696	1 176
Councillor JM Hollington	226	226	
Councillor A Lawrence	14 053	2 959	11 094
Councillor I Sikulu	669	669	
Total Councillor Arrear Consumer Accounts	16 974	4 697	12 269

as at 30 June 2009

Councillor F Lewis	6 234	6 234	-
Councillor L. Kema	2 276	2 276	-
Councillor JM Hollington	1 803	1 803	-
Total Councillor Arrear Consumer Accounts	10 312	10 312	-

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

as at 30 June 2010

	Highest Amount Outstanding R	Ageing Days
Councillor L. Kema	1 176	120+ days
Councillor A Lawrence	11 094	120+ days

52 CAPITAL COMMITMENTS

52.1 Commitments in respect of capital expenditure

Capital Commitments

Commitments in respect of capital expenditure
Approved and not contracted
Approved and contracted for;

3 842 416	2 868 700
497 396	-
3 345 020	2 868 700

This expenditure will be financed from;

Internal sources	-	-
External sources	-	-
Other Sources	-	-
Government Grants	3 842 416	2 868 700

Total

3 842 416	2 868 700
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This expenditure will be financed from:

- External Loans		
- Government Grants	3 842 416	2 868 700
- Own resources		
- District Council Grants		
	3 842 416	2 868 700

Great Kei Municipality
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
52.2 Operating leases			
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:			
Operating leases - lessee			
Within one year		172 969	180 447
In the second to fifth year inclusive		241 425	414 394
After five years			
Total		414 394	594 841

53 RETIREMENT BENEFIT INFORMATION

53.1 Contribution towards medical aids of retired employees:

The following payments were made in respect of medical aid contributions of retired employees:

Retired Employees:

L A Health
Munimed

	Employee %	Employer %
L A Health	30%	70%
Munimed	30%	70%

54 CONTINGENT LIABILITY

54.1 Claim for damages

	2 121 174	2 499 378
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The Municipality is being sued by a ratepayer due to damages arising from flooding. Council is contesting the claim based on legal advice. A court date has not yet been set.

60 RISK MANAGEMENT

60.1 Maximum credit risk exposure

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

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

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

Standard Bank	11 347 048	9 051 999
Absa Bank	2 040 630	38 216
Trade and other receivables		

These balances represent the maximum exposure to credit risk.

Great Kei Municipality
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
60.2 Liquidity risk			
<p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.</p> <p>The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractua</p>			
		Not later than one month	Later than one month and not later than three months
2010			
Borrowings		55 202	165 605
Trade and other payables		11 557	11 806
		Later than three months and not later than one year	Later than one year and not later than five years
2010			
Borrowings		386 412	3 312 104
Trade and other payables		26 817	-
		Not later than one month	Later than one month and not later than three months
2009			
Borrowings		55 202	165 605
Trade and other payables		-	-
		Later than three months and not later than one year	Later than one year and not later than five years
2009			
Borrowings		386 412	3 312 104
Trade and other payables		-	-
60.3 Interest rate risk			
<p>As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.</p>			

Great Kei Municipality
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2010

Loan number	Redeemable Date	Balance at 30 June 2009 R	Received during the period R	Redeemed / written off during the period R	Balance at 30 June 2010 R	Carrying Value of Property, Plant & Equipment R	Other Costs in accordance with MFMA R
EXTERNAL LOANS							
LONG-TERM LOANS							
Stock Loan @ x% 2							
Stock Loan @ x% 3							
Stock Loan @ x% 4							
Stock Loan @ x% 5							
Stock Loan @ x% 6							
Stock Loan @ x% 7							
Stock Loan @ x% 8							
Total long-term loans							
ANNUITY LOAN							
Sanlam @ x%							
GOVERNMENT LOANS							
- Other @ x%							
Total Government Loans							
TOTAL EXTERNAL LOANS							