ELUNDINI

MUNICIPALITY

IKAMVA ELIQAQAMBILEYO

Elundini Local Municipality
Annual Financial Statements
for the year ended 30 June 2010

General Information

Nature of business and principal activities	Service delivery
Accounting Officer	Khaya Gashi
Chief Finance Officer (CFO)	Sheldon Goodall
Registered office	1 Celler str Maclear 5480
Business address	1 Celler str Maclear 5480
Bankers	First National Bank Standard Bank
Auditors	Office of the Auditor General

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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)

A report of the accounting officer has not been prepared as the municipality is a wholly owned controlled entity of which is incorporated in South Africa.

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 4 to 53, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

Khaya Gashi
Municipal Manager

Elundini Local Municipality
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand		Note(s)	2010	2009
Assets				
Current Assets				
Inventories	30.20	7	145 233	292 708
Trade and other receivables from exchange transactions	31.20	8	807 402	-
VAT receivable	31.20	9	3 427 292	2 436 577
Consumer debtors	31.20	10	7 547 751	899 767
Other assets	27.27		-	605 921
Cash and cash equivalents	32.20	11	44 209 965	53 825 102
			56 137 643	**58 060 075**
Non-Current Assets				
Investment property	21.20	4	73	73
Property, Plant & Equipment	20.20	5	50 465 525	16 459 184
Intangible assets	23.22	6	36 721	36 721
			50 502 319	**16 495 978**
Total Assets			**106 639 962**	**74 556 053**
Liabilities				
Current Liabilities				
Finance lease obligation	25.29	13	73 158	65 310
Trade and other payables from exchange transactions	51.20	16	13 223 929	4 081 141
Consumer deposits	51.20	17	151 384	115 719
Retirement benefit obligation	27.22		97 993	-
Unspent conditional grants and receipts	43.20	14	24 676 470	26 531 207
Provisions	52.20	15	2 684 815	2 058 520
Current portion of non-current liabilities	43.27		40 874	-
Bank overdraft	32.20	11	3 894 051	-
			44 842 674	**32 851 897**
Non-Current Liabilities				
Other financial liabilities	41.27-28	12	251 857	327 336
Finance lease obligation	25.29	13	85 585	224 054
Retirement benefit obligation	27.22		1 650 355	1 711 641
Provisions	52.20	15	9 628 968	8 850 000
			11 616 765	**11 113 031**
Total Liabilities			**56 459 439**	**43 964 928**
Net Assets			**50 180 523**	**30 591 125**
Net Assets				
Accumulated surplus	40.24		50 180 523	30 591 125

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue	18	113 348 916	80 441 153
Other income		2 618 632	3 587 707
Operating expenses		(107 235 717)	(90 054 749)
Operating surplus (deficit)		**8 731 831**	**(6 025 889)**
Investment revenue	27	3 420 150	2 760 470
Finance costs	29	(75 847)	(62 130)
Surplus (deficit) for the year		**12 076 134**	**(3 327 549)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	11 457 014	11 457 014
Adjustments		
Appropriations for the year as previously stated	14 587 321	14 587 321
Change in Accounting Policy (note 2)	729 366	729 366
Balance at 01 July 2009 as restated	**26 773 701**	**26 773 701**
Changes in net assets		
Surplus for the year	(3 327 549)	(3 327 549)
Change in Accounting Policy (note 2)	7 144 973	7 144 973
Total changes	3 817 424	3 817 424
Opening balance as previously reported	30 591 125	30 591 125
Adjustments		
Adjustments (Prior year errors/ adjustments)	7 513 264	7 513 264
Balance at 01 July 2009 as restated	**38 104 389**	**38 104 389**
Changes in net assets		
Surplus for the year	12 076 134	12 076 134
Total changes	12 076 134	12 076 134
Balance at 30 June 2010	**50 180 523**	**50 180 523**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		38 715 640	19 244 386
Grants		67 351 659	53 379 874
Other receipts		2 618 632	12 899 543
		108 685 931	85 523 803
Payments			
Employee costs		(43 839 844)	(30 590 290)
Other payments		(52 991 603)	(46 723 124)
		(96 831 447)	(77 313 414)
Net cash flows from operating activities	33	**11 854 484**	**8 210 389**
Cash flows from investing activities			
Purchase of PPE	4	(34 006 341)	-
Cash flows from financing activities			
Movement in non-current liabilities		40 874	(16 633 950)
Movement in other liabilities		(75 479)	-
Movement in retirement benefit obligation		36 707	-
Finance lease payments		(130 621)	-
Interest income		8 847 030	5 069 884
Finance costs		(75 842)	(62 130)
Net cash flows from financing activities		**8 642 669**	**(11 626 196)**
Net increase/(decrease) in cash and cash equivalents		**(13 509 188)**	**(3 415 807)**
Cash and cash equivalents at the beginning of the year		53 825 102	57 240 909
Cash and cash equivalents at the end of the year	11	**40 315 914**	**53 825 102**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

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

First time Implementation of GRAP

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, GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GRAP is set out in Note 2.

The Municipality may have transactions, events or balances that are outside the ambit of GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board. Where these accounting standards are in conflict with the current Framework for the Preparation and Presentation of Financial Statements or existing Standards of GRAP the Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

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

1.1 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

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

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

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

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the propertyin terms of the table included in the Fixed Asset Management Policy and Procedures of Elundini Local Municipality.

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

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

1.1 Investment property (continued)

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

1.2 Property, Plant & Equipment

Property, Plant & Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

Property, Plant & Equipment is initially measured at cost and carried at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant & equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant & 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 & 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 & equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant & equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant & equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant & equipment are accounted for as property, plant & equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant & equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant & equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, Plant & Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed in terms of the table included in the Fixed Asset Management Policy and Procedures of Elundini Local Municipality.

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

Accounting Policies

1.2 Property, Plant & Equipment (continued)

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

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

Items of property, plant & equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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

1.3 Landfill site restoration and rehabilitation cost

The municipality has an obligation to dismantle, remove and restore items of property, plant & equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property, plant & equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:
- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

1.4 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

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

1.4 Intangible assets (continued)

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

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

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

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

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

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

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

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

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

1.5 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

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

1.5 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

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

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

Fair value determination

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

Impairment of financial assets

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

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

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Amortised cost is the initial carrying amount, less repayments, plus interest.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments

1.5 Financial instruments (continued)
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. For the purpose 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 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

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;
- 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.

Impairment of financial assets

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

Assets are carried at amortised cost.

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

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

In terms of GRAP 13 par 12 – 14, the following guidelines are given to assess whether a lease is a finance or operating lease:

Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. Although the following are examples of situations which would normally lead to a lease being classified as a finance lease, a lease does not need to meet all these criteria in order to be classified as a finance lease:

(a) the lease transfers ownership of the asset to the lessee by the end of the
lease term,
(b) the lessee has the option to purchase the asset at a price which is expected

Accounting Policies

1.6 Leases (continued)

to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised,
(c) the lease term is for the major part of the economic life of the asset even if title is not transferred,
(d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset,
(e) the leased assets are of a such a specialised nature that only the lessee can use them without major modifications, and
(f) the leased assets cannot easily be replaced by another asset.

Indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease are:
(a) if the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee,
(b) gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease), and
(c) the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

If it is clear from other features that the lease does not transfer substantially all risks and rewards incidental to ownership, the lease is classified as an operating lease.

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 .

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

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

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.

Historically Elundini Local Municipality accounted for Water Service Provisioning on an agency fee basis. With efect from 1 July 2009 persuant of an operating lease agreement being concluded with Joe Gqabi District Municipality as the duly appointed service provider will account for Water and Sanitation operations. The implications of the agreement will be as listed below:

- all income and expenditure will be disclosed through the Statement of Financial Performance
- the water and sanitation related accounts receivable as well as water and sanitation related inventory will be included in the Statement of Financial Position
- an annual accrual is raised for an operating subsidy in line with the agreement concluded

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

1.7 Inventories (continued)

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

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

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

1.8 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

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 municipality determines the recoverable amount of the

1.8 Impairment of cash-generating assets (continued)

cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and

1.8 Impairment of cash-generating assets (continued)

- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating 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 entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a non-cash-generating asset is the present value of the non-cash-generating asset’s remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Share capital / contributions from owners

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Short-term employee benefits

1.11 Employee benefits (continued)

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

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

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

Defined contribution plans

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

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. The municipality provides post-retirement healthcare benefits to its retirees. The entitlements to these benefits are conditional on the employee remaining in service up to the retirement age and the completion of a minimum service period.

An actuarial valuations was conducted by independent actuaries to determine the municipality's obligation.

Consideration is given to any event that could impact the funds up to end of the reporting period.

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

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

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

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

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

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

1.12 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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1.12 Provisions and contingencies (continued)

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

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

Sale of goods

1.13 Revenue from exchange transactions (continued)

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

Rendering of services

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

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

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Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

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

Government grants

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

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

Other grants and donations

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

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

1.15 Investment income

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

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:
- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.8 and 1.9. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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.

1.16 Borrowing costs (continued)

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

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

1.17 Comparative figures

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

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA and the MFMA par 102 is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

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

Accounting Policies

1.20 Irregular expenditure (continued)

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

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

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

1.24 Conditional grants and receipts

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

1.25 Going Concern

The 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.

2. Changes in accounting policy

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 first time Implementation of GRAP
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, GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible.

- GRAP 1 Presentation of Financial Statements
- GRAP 2 Cash Flow Statement
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The Effects of Changes in Foreign Exchange Rates
- GRAP 5 Borrowing Costs
- GRAP 6 Consolidated and Seperate Financial Statements
- GRAP 9 Revenue from Exchange Transactions
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases
- GRAP 14 Events After the Reporting Date
- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
- GRAP 102 Intangible Assets
- Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to Standards of GRAP
- Directive 4 Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
- Directive 5 Determining the GRAP Reporting Framework
- Directive 7 The Application of Deemed Cost on the adoption of Standards of GRAP
- IPSAS 20 Related Party Disclosures
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 32 Financial Instruments: Presentation
- IAS 39 Financial Instruments: Recognition and Measurements

The aggregate effect of the changes in accounting policy arising from the implementation of GRAP on the annual financial statements for the year ended 30 June 2009 is as follows:

Statement of financial position

	2010	2009
Adjustment to Accumulated Surplus balance as at 1 July 2009		
Revolving Fund transfer to unbundling account	-	7 625 703
PPE transfer to unbundling account	-	(327 337)
	-	**7 298 366**

	2010	2009
Adjustment to Accumulated Surplus balance as at 1 July 2009		
Raising of PPE ito GRAP take-on	-	16 495 905
Prior year adjustment to Post Retirement Benefit, Solidwaste Prov & Finance Leases ito GRAP take on	-	(9 350 932)
	-	**7 144 973**

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 7 (AC 144) Financial Instruments: Disclosures

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 standard is for years beginning on or after 01 January 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

May 2008 Annual Improvements to IFRS’s: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. ‘Total interest income’ was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

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

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

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 adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the municipality receives resources or has liabilities extinguished, and directly

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)
gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the municipality, and the municipality can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

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 2010 annual financial statements.

The impact of the standard is not material.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the municipality would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:
- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

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 2010 annual financial statements.

The impact of the standard is not material.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the municipality has contravened these legislative requirements, the municipality is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

3. New standards and interpretations (continued)

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

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

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the 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.

GRAP 14 requires 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 date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-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 adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 16: Investment Property

Investment property includes property 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 an entity’s operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property 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.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

3. New standards and interpretations (continued)

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

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 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant & equipment and for property, plant & equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

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 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

3. New standards and interpretations (continued)

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

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 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

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

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. “Non-cash-generating assets” are assets other than cash-generating assets and “value in use of a non-cash-generating asset” is the present value of the asset’s remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a controlled entity acquired exclusively with a view to resale.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

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 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

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

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant & equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

3. New standards and interpretations (continued)

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

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 2010 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2010 or later periods:

3.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2010 or later periods but are not relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 24: Presentation of Budget Information in the Financial Statements

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

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents

3. New standards and interpretations (continued)

issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

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

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

GRAP 103: Heritage Assets

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

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

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

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

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

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

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

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

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

3. New standards and interpretations (continued)

decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

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

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

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

The carrying amount of a heritage asset should be derecognised:

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

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this standard is currently being assessed.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

4. Investment property

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Investment property	73	-	73	73	-	73

Reconciliation of investment property - 2010

	Opening balance	**Total**
Investment property	73	73

Reconciliation of investment property - 2009

	Opening balance	**Additions**	**Total**
Investment property	-	73	73

Transitional provision

The municipality elected to adopt the transitional provisions for GRAP 16, Investment property, as per paragraph 67 of Directive 4. According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2012.

5. Property, Plant & Equipment

	2010			2009		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Land	9 735 019	-	9 735 019	8 850 019	-	8 850 019
Buildings	153 995	-	153 995	14	-	14
Plant and machinery	16 251 242	-	16 251 242	3 282 091	-	3 282 091
Furniture and fixtures	1 345 794	-	1 345 794	1 008 015	-	1 008 015
Motor vehicles	2 840 377	-	2 840 377	2 344 451	-	2 344 451
IT equipment	1 266 810	-	1 266 810	937 326	-	937 326
Computer software	-	-	-	36 721	-	36 721
Infrastructure	15 192 893	-	15 192 893	500	-	500
Community	3 679 395	-	3 679 395	47	-	47
Total	**50 465 525**	**-**	**50 465 525**	**16 459 184**	**-**	**16 459 184**

Reconciliation of property, plant & equipment - 2010

	Opening balance	**Additions**	**Disposals**	**Total**
Land	8 850 019	885 000	-	9 735 019
Buildings	14	153 981	-	153 995
Plant and machinery	3 282 091	12 980 099	(10 948)	16 251 242
Furniture and fixtures	1 008 015	338 567	(788)	1 345 794
Motor vehicles	2 344 451	495 926	-	2 840 377
IT equipment	937 326	368 854	(39 370)	1 266 810
Infrastructure	500	15 192 393	-	15 192 893
Community	47	3 679 348	-	3 679 395
	16 422 463	**34 094 168**	**(51 106)**	**50 465 525**

5. Property, Plant & Equipment (continued)

Reconciliation of property, plant & equipment - 2009

	Opening balance	Additions	Other changes, movements	Total
Land	-	8 850 000	19	8 850 019
Buildings	-	-	14	14
Plant and machinery	-	3 282 091	-	3 282 091
Furniture and fixtures	-	1 008 015	-	1 008 015
Motor vehicles	-	2 344 451	-	2 344 451
IT equipment	-	937 326	-	937 326
Computer software	-	36 721	-	36 721
Infrastructure	-	-	500	500
Community	-	-	47	47
	-	**16 458 604**	**580**	**16 459 184**

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

The municipality elected to adopt the transitional provisions for the implementation of GRAP. According to the transitional provision as per Directive 4, the municipality is not required to measure Intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP. Intangible assets have accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2012.

Refer to Appendix A and B for more detail on Intangible assets

6. Intangible assets

	2010			2009		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Computer software	36 721	-	36 721	36 721	-	36 721

Reconciliation of intangible assets - 2010

	Opening balance	Total
Computer software	36 721	36 721

Reconciliation of intangible assets - 2009

	Opening balance	Other changes, movements	Total
Computer software	-	36 721	36 721

Transitional provisions

The municipality elected to adopt the transitional provisions for GRAP 17, Property, Plant and Equipment (PPE), as per paragraph 71 of Directive 4. According to the transitional provision, the municipality is not required to measure PPE for reporting periods beginning on or after a date within three years following the date of initial adoption of the standards of GRAP on PPE. PPE has accordingly been recognised at provisional amounts. The transitional provision expires on 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

7. Inventories

Inventories	144 678	292 708
Land held for sale	555	-
	145 233	**292 708**

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain inventories were recognised at provisional amounts.

8. Trade and other receivables from exchange transactions

Fruitless and wasteful expenditure to be investigated	491 703	-
Irregular expenditure	181 804	-
Unauthorised expenditure	79 308	-
Underbanking of cash	54 587	-
	807 402	**-**

9. VAT receivable

VAT	3 427 292	2 436 577

10. Consumer debtors

Gross balances		
Rates	14 605 120	7 640 482
Electricity	9 151 091	4 660 529
Water	11 220 614	-
Sewerage	2 853 808	-
Refuse	17 546 267	10 795 861
Other (specify)	7 759 615	1 242 908
	63 136 515	**24 339 780**
Less: Provision for debt impairment		
Rates	(12 846 024)	(7 418 585)
Electricity	(7 602 245)	(4 462 596)
Water	(9 603 723)	-
Sewerage	(2 470 579)	-
Refuse	(15 142 600)	(10 482 326)
Other (specify)	(7 923 593)	(1 076 506)
	(55 588 764)	**(23 440 013)**
Net balance		
Rates	1 759 096	221 897
Electricity	1 548 846	197 933
Water	1 616 891	-
Sewerage	383 229	-
Refuse	2 403 667	313 535
Other	(163 978)	166 402
	7 547 751	**899 767**
Rates		
Current (0 -30 days)	43 399	1 359

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

10. Consumer debtors (continued)

31 - 60 days	493 592	3 862
61 - 90 days	109 961	3 493
91 - 120 days	27 889	3 535
121 - 365 days	27 602	3 256
> 365 days	1 056 653	206 392
	1 759 096	**221 897**

Electricity

Current (0 -30 days)	280 556	9 145
31 - 60 days	183 856	7 685
61 - 90 days	162 324	6 529
91 - 120 days	40 934	6 609
121 - 365 days	36 525	6 583
> 365 days	844 651	161 382
	1 548 846	**197 933**

Water

Current (0 -30 days)	430 507	-
31 - 60 days	156 430	-
61 - 90 days	127 638	-
91 - 120 days	33 183	-
121 - 365 days	34 732	-
> 365 days	834 401	-
	1 616 891	**-**

Sewerage

Current (0 -30 days)	30 129	-
31 - 60 days	21 804	-
61 - 90 days	12 431	-
91 - 120 days	3 523	-
121 - 365 days	4 105	-
> 365 days	311 237	-
	383 229	**-**

Refuse

Current (0 -30 days)	274 578	14 821
31 - 60 days	260 454	14 049
61 - 90 days	253 149	13 634
91 - 120 days	64 579	13 410
121 - 365 days	63 796	13 223
> 365 days	1 487 111	244 398
	2 403 667	**313 535**

With the conversion of the annual financial statements from the IMFO to the GRAP basis, it was not possible to obtain the ageing of consumer debtors from the system per type of service. For this reason a statistical basis was used to apportion ageing of the provision for impairment per type of service. For this reason it was also not practical to compute the reconciliation of the net age analysis for other consumer debtors and have therefore not disclosed the reconciliation due to the immaterial balance on the accounts making up other consumer debtors.

Reconciliation of debt impairment provision

Balance at beginning of the year	(23 440 013)	-
Contributions to provision	(33 408 782)	(23 440 013)
Debt impairment written off against provision	1 260 031	-
	(55 588 764)	**(23 440 013)**

Figures in Rand	2010	2009

10. Consumer debtors (continued)

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R63 136 515 - (2009:R24 339 780 -) were impaired and provided for.

The amount of the provision was R55 588 764 - as of 30 June 2010 (2009: R 23 440 013 -).

The ageing of these loans is as follows:

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2010	2009
Cash on hand	1 048	1 048
Short-term deposits	41 405 898	51 088 972
Other cash and cash equivalents	2 803 019	2 735 082
Bank overdraft	(3 894 051)	-
	40 315 914	**53 825 102**

	2010	2009
Current assets	44 209 965	53 825 102
Current liabilities	(3 894 051)	-
	40 315 914	**53 825 102**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	**30 June 2009**	**30 June 2008**	**30 June 2010**	**30 June 2009**	**30 June 2008**
First National Bank - Current Account - 6215-9933-772	(726 052)	(3 500 032)	-	(3 894 051)	(932 962)	-
Standard Bank Account - Current Account - 280642407	2 802 769	1 800 344	18 114 817	2 803 019	(1 800 344)	(1 536 102)
Capacity Building - 388491604-001	-	1 235 773	1 335 853	-	1 235 773	1 335 853
Cemetery - 388492309-001	-	4 711	4 489	-	4 711	4 489
CMIP - 388492686-001	-	838 914	895 235	-	838 914	895 235
Coloured housing - 388492384-001	-	20 279	19 230	-	20 279	19 230
Deposits - 388492260-001	-	12 424	11 841	-	12 424	11 841
Drought relief - 388493240-001	-	942 251	865 119	-	942 251	865 119
Electricity - 388492635-001	-	1 577 352	1 873 920	-	1 577 352	1 873 920
Elun Expan Public Works - 388497173-001	677 151	420 164	-	677 151	420 164	-
Elundini Housing - 388492554-001	74 231	71 731	66 682	74 231	71 731	66 682
Elundini Mun Administration - 388493852-001	-	73 854	68 656	-	73 854	68 656
Elun voter Station - 388497165-001	3 848	99 859	-	3 848	99 859	-
Enkulukweni - 62023992151	-	438 879	406 398	-	438 879	406 398
Equitable Share FNB - 62189194170	4 667 620	18 174 536	20 987 461	4 667 620	18 174 536	20 987 461
European Union Funding - 388490772-001	223 769	-	-	223 769	-	-
FMG - 388493410-002	1 352 210	318 650	761 117	1 352 210	318 650	761 117
Furniture Man Project - 62246726197	2 506 740	-	-	2 506 740	-	-
Golf course - 388492341-001	-	4 201	4 004	-	4 201	4 004
Hawkers stall - 62246719176	1 946 733	-	-	1 946 733	-	-

Figures in Rand					2010	2009

11. Cash and cash equivalents (continued)

Housing personnel - 388492422-001	-	60 483	56 226	-	60 483	56 226
Housing pilot - 388492570-001	117 594	112 507	114 684	117 594	112 507	114 684
Housing survey - 388492430-001	-	228 899	210 684	-	228 899	210 684
IDP - 388492392-001	-	118 599	60 877	-	118 599	60 877
Intervention - 388493240-002	-	509 490	1 214 997	-	509 490	1 214 997
Katlehong planning - 388492716-001	2 833	2 791	2 660	2 833	2 791	2 660
Leave reserve - 388492406-001	12 301	12 118	11 549	12 301	12 118	11 549
LED - 388493410-001	39 676	38 725	199 904	39 676	38 725	199 904
Library - 388494255-001	552 912	221 461	531 690	552 912	221 461	531 690
Maclear greenfields - 388493003-001	844 343	805 811	764 621	844 343	805 811	764 621
Madiba corridor - 62268631259	702 725	-	-	702 725	-	-
MIG FNB - 621891800111	5 536 121	4 576 260	1 175 964	5 536 121	4 576 260	1 175 964
MSIG - 388492325-001	995 327	550 959	844 759	995 327	550 959	844 759
MSP - 388494387-001	1 724 800	1 637 911	1 812 221	1 724 800	1 637 911	1 812 221
Mount Fletcher - 388492740-001	-	7 584	7 227	-	7 584	7 227
Mt fletcher youth centre - 388493240-003	108 696	200 000	-	108 696	200 000	-
NER - 9072600554	-	6 131 545	6 756 594	-	6 131 545	6 756 594
NER ABSA - 388490810-001	8 637 117	-	-	8 637 117	-	-
Plant & machinery - 62258379174	1 267 065	-	-	1 267 065	-	-
Revolving fund - 388492759-001	7 777 190	7 483 068	11 175 976	7 777 190	7 483 068	11 175 976
Surplus - 388491590-001	-	1 200 764	1 152 775	-	1 200 764	1 152 775
Testing centre - 388492708-001	-	3 305	3 150	-	3 305	3 150
Tourism - 388493518-001	1 194 279	1 944 792	941 841	1 194 279	1 944 792	941 841
Town register - 388492465-001	-	21 224	20 126	-	21 224	20 126
Training - 388492481-001	6 624	6 526	6 219	6 624	6 526	6 219
Transitional grant - 388490713-001	-	978 970	913 502	-	978 970	913 502
Vehicle registration - 388492651-001	-	1 635	1 635	-	1 635	1 635
Ward functions - 62268632934	204 794	-	-	204 794	-	-
Total	**43 253 416**	**49 389 317**	**73 394 703**	**40 085 667**	**48 355 699**	**53 743 784**

12. Other financial liabilities

	2010	2009
At fair value through surplus or deficit		
DBSA Bank loan	251 857	327 336
A loan is held with DBSA bank. The redemption date for the loan is 30 June 2015, payable in equil instalments at an interest rate of 17.36 % (18 % on arrears)		

	2010	2009
Non-current liabilities		
Fair value through surplus or deficit	251 857	327 336

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

13. Finance lease obligation

Minimum lease payments due		
- within one year	85 740	85 740
- in second to fifth year inclusive	90 847	176 587
	176 587	262 327
less: future finance charges	(17 844)	(38 273)
Present value of minimum lease payments	**158 743**	**224 054**

Present value of minimum lease payments due		
- within one year	73 158	65 310
- in second to fifth year inclusive	85 585	158 744
	158 743	**224 054**

Non-current liabilities	85 585	224 054
Current liabilities	73 158	65 310
	158 743	**289 364**

It is municipality policy to lease certain office equipment under an opperating lease. In terms of GRAP 13, as the office equipment is rented over the major part of its useful life, the relevant lease is deemed a finance lease and the related liability raised and the asset capitalised.

The lease term was 5 years and the effective borrowing rate was prime.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
MIG - unspent grant	6 778 036	8 131 652
MSIG - unspent grant	(12 182)	756 829
FMG - unspent grant	-	396 236
NER - unspent grant	7 215 968	6 139 650
Other unspent grants	10 694 648	11 106 840
	24 676 470	**26 531 207**

Movement during the year

Balance at the beginning of the year	26 531 207	-
Additions during the year	34 187 798	-
Income recognition during the year	(36 042 535)	-
	24 676 470	**26 531 207**

Due to the change in the format of the disclosure of the annual financial statements from the IMFO format to the GRAP format, it was not possible to obtain from the system or the prior year financial statements, the above required reconciliation between the opening and closing balances of the unspent portion of the grant for the corresponding figures. For this reason, so reconciliation has been provided for the corresponding figures.

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

Figures in Rand	2010	2009

15. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Provision for rehabilitation of landfill sites	8 850 000	885 000	(106 032)	9 628 968
Provision for Leave	1 273 052	508 148	(78 947)	1 702 253
Provision for Performance Bonus	785 468	651 180	(454 086)	982 562
	10 908 520	**2 044 328**	**(639 065)**	**12 313 783**

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Provision for rehabilitation of landfill sites	-	8 850 000	8 850 000
Provision for Leave	255 665	1 017 387	1 273 052
Provision for Performance bonus	-	785 468	785 468
	255 665	**10 652 855**	**10 908 520**

Non-current liabilities	9 628 968	8 850 000
Current liabilities	2 684 815	2 058 520
	12 313 783	**10 908 520**

The calculation for the rehabilitation of the landfill site provision was compiled by an external specialist (Munitech) who was used to perform a valuation of the estimated annual cost of closure and rehabilitation (recurring costs) for the following landfill sites:

- Mt Fletcher

- Maclear

- Ugie

Based on the assessment, the cost of rehabilitation of the municipalities landfill sites was estimated in 2010 as R9 735 000 (2009: R8 850 000). 2010 costs have been calculated based on the 2009 cost estimate with an escalation of 110%.

16. Trade and other payables from exchange transactions

Trade payables	11 404 722	1 995 335
Payments received in advanced - Womans day celebration	867 271	-
Bursary Scheme - payments received from students	41 397	-
Accruals	-	2 081 161
Salary control	(21 716)	-
Backpay due	217 097	-
Deposits received - refund control	65 546	-
Unknown deposits	-	4 645
Sundry debtors: Lost & RD cheques	(208 129)	-
13th cheque accrual	857 741	-
	13 223 929	**4 081 141**

17. Consumer deposits

Electricity	115 309	107 811
Water	24 571	-
Housing rental	11 504	7 908

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

17. Consumer deposits (continued)

	151 384	**115 719**

18. Revenue

Rendering of services	6 903 406	-
Property rates	8 845 900	3 548 743
Service charges: Electricity & Refuse	22 966 334	20 390 432
Government grants & subsidies	69 206 396	54 192 564
	107 922 036	**78 131 739**

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	6 903 406	-
Service charges: Electricity & Refuse	22 966 334	20 390 432
	29 869 740	**20 390 432**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	8 845 900	3 548 743
Government grants & subsidies	69 206 396	54 192 564
	78 052 296	**57 741 307**

19. Property rates

Rates received

Assessment Rates	8 845 900	3 548 743

Valuations

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009.

The new general valuation will be implemented on 01 July 2010.

20. Service charges

Sale of electricity	10 960 663	6 915 181
Sale of water	6 267 330	-
Refuse Removal	5 270 683	3 971 975
Sewerage and sanitation charges	467 658	-
Other service charges	-	9 503 276
	22 966 334	**20 390 432**

Figures in Rand	2010	2009

21. Government grants and subsidies

Equitable share	40 826 480	31 029 765
Finance Management Grant (FMG)	985 834	14 451
Municipal Systems Improvement Grant (MSIG)	1 504 011	441 264
Municipal Infrastructure Grant (MIG)	13 918 429	11 251 826
National Electrification Grant received	3 923 682	9 998 153
Other grants received	8 047 960	1 457 105
	69 206 396	**54 192 564**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In November 2009, an amount was withheld from the municipality due to alogations of non-submission of in year reports relating to conditional grants received. The matter was subsequently resolved with National Treasury and the money released with the next transfer payment.

All registered indigents receive the following monthly subsidy which is funded from the grant.

- Water - Free Basic: R 30.85
- Water - Subsidy: R 22.10
- Electricity - Subsidy: R 62.55
- Refuse: R 69.40
- Additional text
- Additional text

MIG - unspent conditional grant

Balance unspent at beginning of year	8 131 652	-
Current-year receipts	12 564 813	-
Conditions met - transferred to revenue	(13 918 429)	-
	6 778 036	**8 131 652**

Conditions still to be met - remain liabilities (see note 14)

Due to the change in the format of the disclosure of the annual financial statements from the IMFO format to the GRAP format, it was not possible to obtain from the system or the prior year financial statements, the above required reconciliation between the opening and closing balances of the unspent portion of the grant for the corresponding figures. For this reason, so reconciliation has been provided for the corresponding figures.

MSIG - unspent conditional grant

Balance unspent at beginning of year	756 829	-
Current-year receipts	735 000	-
Conditions met - transferred to revenue	(1 504 011)	-
	(12 182)	**756 829**

Conditions still to be met - remain liabilities (see note 14)

Due to the change in the format of the disclosure of the annual financial statements from the IMFO format to the GRAP format, it was not possible to obtain from the system or the prior year financial statements, the above required reconciliation between the opening and closing balances of the unspent portion of the grant for the corresponding figures. For this reason, so reconciliation has been provided for the corresponding figures.

FMG - unspent conditional grant

Balance unspent at beginning of year	396 236	-
Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(1 396 236)	-

Figures in Rand	2010	2009

21. Government grants and subsidies (continued)

	-	**396 236**

Conditions still to be met - remain liabilities (see note 14)

Due to the change in the format of the disclosure of the annual financial statements from the IMFO format to the GRAP format, it was not possible to obtain from the system or the prior year financial statements, the above required reconciliation between the opening and closing balances of the unspent portion of the grant for the corresponding figures. For this reason, so reconciliation has been provided for the corresponding figures.

NER - unspent conditional grant

Balance unspent at beginning of year	6 139 650	-
Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(3 923 682)	-
	7 215 968	**6 139 650**

Conditions still to be met - remain liabilities (see note 14)

Due to the change in the format of the disclosure of the annual financial statements from the IMFO format to the GRAP format, it was not possible to obtain from the system or the prior year financial statements, the above required reconciliation between the opening and closing balances of the unspent portion of the grant for the corresponding figures. For this reason, so reconciliation has been provided for the corresponding figures.

Other conditional grants

Balance unspent at beginning of year	11 106 840	-
Current-year receipts	14 887 984	-
Conditions met - transferred to revenue	(15 300 176)	-
	10 694 648	**11 106 840**

Conditions still to be met - remain liabilities (see note 14)

Due to the change in the format of the disclosure of the annual financial statements from the IMFO format to the GRAP format, it was not possible to obtain from the system or the prior year financial statements, the above required reconciliation between the opening and closing balances of the unspent portion of the grant for the corresponding figures. For this reason, so reconciliation has been provided for the corresponding figures.

22. Other revenue

Rental income - third party	735 295	686 867
Discount received	55 649	49 929
Repayment of Legal costs	3 490	186 983
Insurance claims received	34 065	507 534
Other income	1 790 133	2 156 394
	2 618 632	**3 587 707**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

23. Other income

Tender document sales	96 300	37 550
Traffic income	1 108 875	951 347
LGSETA claims received	178 140	138 252
Cellphone claims received	16 472	273 390
Pound fees	179 824	120 203
Income from caravan parks & chaleis	7 753	3 967
Cemetery fees	9 581	11 537
Building plan & inspection	25 422	57 318
Auction sales	45 630	492 843
Sundry income	122 136	69 987
	1 790 133	**2 156 394**

24. General expenses

Advertising	273 291	414 246
Auditors remuneration	1 234 867	1 380 124
Bank charges	98 956	115 390
Cleaning materials	13 452	13 580
Commission paid	245 072	30 661
Consulting, professional and legal fees	1 303 924	987 285
Consumables	2 743 322	431 537
Discount allowed	73 087	-
Entertainment & catering	330 073	190 892
Staff tea & coffee	17 443	22 356
Gifts	5 100	-
Insurance	496 724	271 765
Conferences and seminars	(13 768)	325 195
Lease rentals on operating lease: office equipment	150 364	353 926
Town planning & property valuation fees	586 673	679 733
Promotions and sponsorships	50 014	242 942
Magazines, books and periodicals	-	8 316
Pest control	64 865	-
Fuel and oil	963 276	457 426
Postage and courier	23 152	20 723
Printing and stationery	465 673	542 220
Protective clothing	117 605	91 227
Security (Guarding of municipal property)	577 055	407 980
Software expenses	-	69 811
Subscriptions and membership fees	467 533	134 736
Telephone and fax	1 074 138	856 032
Training	623 012	239 473
Travel - local	205 360	1 599 394
Refuse bags and containers	21 656	7 075
Mayoral Fund	41 835	68 102
Cash in transit costs	-	92 130
Licence fees	10 257	72 126
Grant expenditure	3 945 507	23 847 839
Capital expenditure (to be reallocated to Balance Sheet)	-	1 744 959
Irregular, fruitless & wasteful expenditure	-	228 016
Small tools & equipment	313 846	1 536 696
Traffic department costs	77 571	76 329
Other expenditure	24 544	18 372
	16 625 479	**37 578 614**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

25. Employee related costs

Basic	21 742 465	14 857 335
Bonus	2 804 397	1 762 316
Medical aid - company contributions	1 918 988	855 121
UIF	198 089	136 672
WCA	345 344	489 617
SDL	296 611	244 169
Leave pay provision charge	542 971	382 182
Pension fund contributions	2 919 162	2 090 509
Travel, motor car, accommodation, subsistence and other allowances	2 755 738	1 331 601
13th Cheques	-	60 197
Acting allowances	329 003	96 185
Car allowance	1 231 464	775 268
Housing benefits and allowances	931 662	839 387
Bursary scheme	54 305	54 652
Telephone & other allowances	309 034	239 734
	36 379 233	**24 214 945**

Remuneration of municipal manager

Annual Remuneration	823 781	695 253
Car & other allowances	150 209	130 000
Performance Bonuses	125 087	125 087
Contributions to UIF, Medical and Pension Funds	1 542	527
	1 100 619	**950 867**

Remuneration of chief finance officer

Annual Remuneration	172 500	340 285
Car & other allowances	52 667	217 358
Performance Bonuses	-	118 116
Contributions to UIF, Medical and Pension Funds	514	374
	225 681	**676 133**

Corporate and human resources (corporate services)

Annual Remuneration	425 441	383 511
Car & other allowances	402 643	355 666
Performance Bonuses	104 167	104 167
Contributions to UIF, Medical and Pension Funds	1 542	1 497
	933 793	**844 841**

Community Services Manager

Annual Remuneration	460 327	409 131
Car & other allowances	387 263	324 915
Performance Bonuses	106 716	111 716
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	955 803	**847 259**

Technical Manager

Annual Remuneration	476 347	417 885
Car & other allowances	279 939	229 800
Contributions to UIF, Medical and Pension Funds	1 542	1 497

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

25. Employee related costs (continued)

	757 828	**649 182**

Mayor

Annual Remuneration	421 353	316 162
Car & other allowances	202 340	119 145
Contributions to UIF, Medical and Pension Funds	1 497	1 497
	625 190	**436 804**

26. Remuneration of Mayor & Councillors

Councillors	4 792 810	4 512 114
Councillors' pension contribution	47 917	46 446
Council travel & other allowances	2 277 200	2 096 192
Telephone and other allowances	342 684	-
	7 460 611	**6 654 752**

In-kind benefits

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

27. Investment revenue

Interest revenue		
Bank	3 420 150	2 760 470

28. Impairment of assets

Impairments		
Inventories	25 308	205 848
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount of the asset was based on its fair value less costs to sell or [its value in use.]		
Trade and other receivables	33 408 781	12 816 842
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount of the asset was based on its fair value less costs to sell or [its value in use.]		
	33 434 089	**13 022 690**

29. Finance costs

Finance leases	20 430	-
Other interest paid	55 417	62 130
	75 847	**62 130**

30. Auditors' remuneration

Fees	1 234 867	1 380 124

31. Operating lease

Effective 1 July 2009 an agreement was entered into with the district municipality whereby the water and sanitation assets are rented from the district municipality for a nominal sum of R1 per year. The contract is renewable annually. In terms of the agreement all assets relating to water and sanitation are capitalised in the records of the water services authority being

31. Operating lease (continued)

Joe Gqabi District Municipality. In terms of the trading activity, due to the fact that Elundini Municipality accrue for all income and expenditure, all accounts receivable will also accrue to the water services provider, being Elundini Municipality. An operating subsidy is also accrued for annually from the district municipality based on the lease agreement concluded.

32. Bulk purchases

Figures in Rand	2010	2009
Electricity	8 597 732	6 711 561
Water	70	-
	8 597 802	**6 711 561**

33. Cash generated from operations

Figures in Rand	2010	2009
Surplus (deficit)	12 076 134	(3 327 549)
Adjustments for:		
Interest income	(8 847 030)	(5 069 884)
Finance costs	75 847	62 130
Movements in provisions	1 405 263	3 302 855
Appropriations/ journals for the year	7 513 259	14 587 324
Changes in working capital:		
Inventories	147 475	356 764
Trade and other receivables from exchange transactions	(807 402)	3 856 625
Consumer debtors	(6 647 984)	-
Other asset	605 921	-
Trade and other payables from exchange transactions	9 142 788	(4 527 976)
VAT	(990 715)	(973 611)
Unspent conditional grants and receipts	(1 854 737)	-
Consumer deposits	35 665	(56 289)
	11 854 484	**8 210 389**

34. Commitments

Authorised capital expenditure

Figures in Rand	2010	2009
Already contracted for but not provided for		
• Investment property	45 054 277	6 574 051

35. Contingencies

The following Litigation is currently underway against the municipality:

There has been a claim lodged by Mary White for the amount of R520 for monies payable in respect of the reimbursement of an electricity deposit.

There has been a claim lodged by Pieter Britz for the amount of R140 000 for monies payable in respect of a claim arrising as a result of a fire that started on municipal land and caused damage to the plaintiffs property.

There has been a claim lodged by SALA pension fund for the amount of R316 676.30 for monies payable in respect of arrears employer contributions to the fund resulting from a rate increase for the contribution rate payable to the pension fund with effect from 1 July 2003.

There has been a claim lodged by Wesbank against the municipality in relation to the cancelation of a rental agreement for a PABX system. The rental agreement was entered into in 2005, however due to persistent problems with the system, the agreement was cancelled in July 2008 and the assets of the system collected on the 25th February 2009. Currently a claim to the value of R296 224.31 has been lodged against the municipality by Wesbank.

36. Prior period errors/ adjustments

The material adjustments were made up of the following:

36. Prior period errors/ adjustments (continued)

- Adjustments to prior year Workmens Compensation

- Adjustments to prior year Compensation Commissioner

- Adjustments to prior year Performance Bonus

- Adjustments to prior year Electricity Sales

- The restatement of Water Debtors in terms of a revised agreement with the District Municipality

- Adjustments to prior year Compensation Commissioner

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

Statement of financial position		
Property, Plant & Equipment	8 691 153	-
Provision for Performance Bonus	16 465	-
Debtors control	51 532	-
Statement of financial performance		
Workmens Compensation	409 749	-
Compensation commissioner	34 731	-
Electricity Sales	58 970	-

37. Comparative figures

With the conversion of the financial statements from the IMFO basis to the GRAP basis, certain comparative figures have been reclassified. Where the prior year information was not available in a format required to facilitate the reclassification of the comparitive figures in terms of GRAP, the fact that the comparitive figures could not be reststed in terms of GRAP has been stated as such in the relevant note.

38. Going concern

The 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. The accounting policies applied are 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.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

39. Unauthorised expenditure

Unauthorised expenditure	79 307	-

A committee has been established according to a council resolution to investigate the various incidences in order to determine their recoverability.

40. Fruitless and wasteful expenditure

Penalties and interest	491 703	228 016
Expenditure without required authority	-	1 100
	491 703	**229 116**

Fruitless and wasteful expenditure relates to interest and penalties incurred on late payments of ammounts due by the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

41. Irregular expenditure

Add: Irregular Expenditure - current year	181 804	-

A committee has been established according to a council resolution to investigate the various incidences in order to determine their recoverability.

42. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Current year subscription / fee	1 234 866	1 071 899
Amount paid - current year	(1 006 866)	(1 214 627)
Adjustment - 2008	-	142 728
	228 000	**-**

PAYE and UIF

There were no amounts outstanding as at year end for third party payments relating to PAYE, UIF, Medical aid or Pension Fund Contributions.

VAT

VAT receivable	3 427 292	2 436 577

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Ms GM Moni	-	4 882	4 882
Mr T Fokoto	387	7 553	7 940
	387	**12 435**	**12 822**

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. No such expenses were incurred by the municipality that needed condonement.

43. Actual operating expenditure versus budgeted operating expenditure

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

44. Actual capital expenditure versus budgeted capital expenditure

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

45. Electricity distribution losses

The municipality incurred electricity distribution losses estimated at 26.36% (2009: 48%) which was a significant reduction from the estimated 48%.

45. Electricity distribution losses (continued)

A revenue protection strategy has been implemented, aimed at further reducing losses to an estimated 15% over the next 12 months.

46. Organised Local Government Contributions

There were no amounts outstanding at at 30 June 2010 relating to the municipalities contributions to SALGA. Total payments for the year were R212 022.63.

Elundini Local Municipality
Annual Financial Statements for the year ended 30 June 2010

Detailed Income statement

Figures in Rand	Note(s)	2010	2009
Revenue			
Rendering of services		6 903 406	-
Property rates	19	8 845 900	3 548 743
Service charges	20	22 966 334	20 390 432
Interest received (trading)		5 426 880	2 309 414
Government grants & subsidies	21	69 206 396	54 192 564
Rental income		735 295	686 867
Discount received		55 649	49 929
Recoveries		3 490	186 983
Insurance claims received		34 065	507 534
Other income		1 790 133	2 156 394
Interest received - investment	27	3 420 150	2 760 470
Total Revenue		**119 387 698**	**86 789 330**
Expenditure			
Personnel	25	(36 379 233)	(24 214 945)
Remuneration of councillors	26	(7 460 611)	(6 654 752)
Impairment loss/ Reversal of impairments	28	(33 434 089)	(13 022 690)
Finance costs	29	(75 847)	(62 130)
Collection costs		(317 797)	-
Repairs and maintenance		(4 420 706)	(1 872 187)
Bulk purchases	32	(8 597 802)	(6 711 561)
General Expenses	24	(16 625 479)	(37 578 614)
Total Expenditure		**(107 311 564)**	**(90 116 879)**
Surplus (deficit) for the year		**12 076 134**	**(3 327 549)**

ELUNDINI LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Property, Plant and Equipment					Accumulated Depreciation				
Category	Opening Balance 2009	Additions	Under-construction	Disposals	Closing Balance 2010	Opening	Depreciation Current year	Depreciation Disposals	Closing Balance	Carrying Value
Land and buildings	**8 850 033**	**1 038 981**	**-**	**-**	**9 889 014**	**-**	**-**	**-**	**-**	**9 889 014**
Land		**-**	**-**	**-**		**-**	**-**	**-**	**-**	**-**
Tip Sites	8 850 003	885 000	-	-	9 735 003	-	-	-	-	9 735 003
Land improvements	16	-	-	-	16		-	-		16
Buildings						**-**				
Office Buildings	12	153 981	-	-	153 993	-	-	-	-	153 993
Workshop & Depots	2	-	-	-	2	-	-	-	-	2
Infrastructure	**500**	**15 192 393**	**-**	**-**	**15 192 893**	**-**	**-**	**-**	**-**	**15 192 893**
Electricity	130	3 422 139	-	-	3 422 269	-	-	-	-	3 422 269
Roads, Pavements, Bridges & S	370	11 770 254	-	-	11 770 624	-	-	-	-	11 770 624
Community assets	**47**	**3 679 348**	**-**	**-**	**3 679 395**	**-**	**-**	**-**	**-**	**3 679 395**
Cemeteries	7	120 911	-	-	120 918	-	-	-	-	120 918
Civic Building	9	833 389	-	-	833 398	-	-	-	-	833 398
Community Halls	6	1 429 685	-	-	1 429 691	-	-	-	-	1 429 691
Markets	4	734 454	-	-	734 458	-	-	-	-	734 458
Parks & Gardens	1	400 356	-	-	400 357	-	-	-	-	400 357
Public Conviniences & Bathhouses	5	-	-	-	5	-	-	-	-	5
Recreational Grounds	7	-	-	-	7	-	-	-	-	7
Town Library	5	160 553	-	-	160 558	-	-	-	-	160 558
Transport Facilities	3	-	-	-	3	-	-	-	-	3
Other assets	**7 289 468**	**14 183 446**	**-**	**51 106**	**21 421 808**	**-**	**-**	**-**	**-**	**21 421 808**
Computer equipment	937 326	368 854	-	39 370	1 266 810	-	-	-	-	1 266 810
Furniture and fittings	725 600	338 567	-	788	1 063 379	-	-	-	-	1 063 379
Motor vehicles	2 344 451	495 926	-	-	2 840 377	-	-	-	-	2 840 377
Plant & machinery	3 282 091	12 980 099	-	10 948	16 251 242	-	-	-	-	16 251 242
Total PPE	**16 140 048**	**34 094 168**	**-**	**51 106**	**50 183 110**	**-**	**-**	**-**	**-**	**50 183 110**
Intangible Assets	**36 721**	**-**	**-**	**-**	**36 721**	**-**	**-**	**-**	**-**	**36 721**
Computer software	36 721	-	-	-	36 721	-	-	-	-	36 721
Finance Lease Assets	**282 415**	-	-	-	**282 415**		-	-		**282 415**
Office furniture & equipment	282 415	-	-	-	282 415	-	-	-		282 415
Total	**16 459 184**	**34 094 168**	**-**	**51 106**	**50 502 246**	**-**	**-**	**-**	**-**	**50 502 246**

ELUNDINI LOCAL MUNICIPALITY

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2010

Department	Opening Balance	Additions	Under-Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Disposals	Depreciation Closing *Balance*	Carrying Value
Executive & Council	553 331	1 811 822	-	400	2 364 753	-	-	-	-	2 364 753
Finance & Admin	970 976	295 621	-	4 645	1 261 952	-	-	-	-	1 261 952
Corparate Services	742 771	202 450		31 255	913 966					913 966
Planning & Development	-	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	-
Community Services	1 018 293	2 806 726	-	-	3 825 019	-	-	-	-	3 825 019
Technical Services	3 310 930	27 786 586		14 806	31 082 710					31 082 710
Public Safety	710 980	91 846	-	-	802 826	-	-	-	-	802 826
Housing	-	-	-	-	-	-	-	-	-	-
Parks & Recreation	260 394	214 117	-	-	474 511	-	-	-	-	474 511
Sanitation	41 034	-	-	-	41 034	-	-	-	-	41 034
Waste Management	8 850 000	885 000	-	-	9 735 000	-	-	-	-	9 735 000
Road Transport	345	-	-	-	345	-	-	-	-	345
Water	-	-	-	-	-	-	-	-	-	-
Electricity	130	-	-	-	130	-	-	-	-	130
Total	**16 459 184**	**34 094 168**	**-**	**51 106**	**50 502 246**	**-**	**-**	**-**	**-**	**50 502 246**

ELUNDINI MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
30 June 2010

2009 Actual Income	2009 Actual Expenditure	2009 Surplus / (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Surplus / (Deficit)
R	R	R		R	R	R
273 390	11 567 871	(11 294 481)	Executive & Council	98 347	11 749 227	(11 650 880)
53 752 209	34 145 963	19 606 246	Finance & Admin	62 356 705	44 759 864	17 596 841
39 287	863 680	(824 393)	Planning & Development	25 422	490 791	(465 369)
-	-	-	Health	-	-	-
557 195	3 092 406	(2 535 211)	Community & Social Services	2 555 777	4 756 362	(2 200 585)
14 673	525 078	(510 405)	Housing	18 175	577 560	(559 385)
3 031	2 527 663	(2 524 632)	Sport & Recreation	3 623	2 686 656	(2 683 033)
		-	Environmental Protection	-	-	-
3 972 223	3 729 623	242 600	Waste Management	5 270 891	2 829 404	2 441 487
11 268 009	14 459 931	(3 191 922)	Road Transport	11 488 829	2 632 862	8 855 967
-	-	-	Water	11 022 925	6 687 111	4 335 814
16 913 334	19 208 683	(2 295 349)	Electricity	9 862 670	12 199 683	(2 337 013)
-	-	-	Other	16 684 334	17 942 044	(1 257 710)
86 793 351	**90 120 898**	**(3 327 547)**		**119 387 698**	**107 311 564**	**12 076 134**
-	-	-	Less: Inter-Department Charges	-	-	-
86 793 351	**90 120 898**	**(3 327 547)**	Total	**119 387 698**	**107 311 564**	**12 076 134**

ELUNDINI MUNICIPALITY
APPENDIX E1
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2010

		Actual 2010	Budget 2010	Variance	Variance %	Explanation of Significant Variances Greater than 10% versus Budget
		R	R	R		
REVENUE						
Property Rates		8 845 900	8 172 011	673 889	8%	
Service charges		22 966 334	9 612 590	13 353 744	139%	Revenue budget discounted to actual collections
Rental Income		735 295	641 232	94 063	15%	Termination of leases due to non-payment
Interest received - outstanding receivables		5 426 880	-	5 426 880	#DIV/0!	Omission within budgetary framework- new framework adopted in 2010/2011 MTREF - NT compliant
Interest received - external investments		3 420 150	1 800 000	1 620 150	90%	First time recognition of interest on conditional grants pursuant of MFMA circular 51
Government grants		69 206 396	70 177 233	(970 837)	-1%	
Other income		8 786 743	16 407 590	(7 620 847)	-46%	Budget included transfer from internal reserves as a revenue stream to finance capital acquisitions.
Total Income		**119 387 698**	**106 810 656**	**12 577 042**	**12%**	
EXPENDITURE						
Employee related costs		36 379 233	36 500 000	(120 767)	0%	
Remuneration of Councillors		7 460 611	7 500 000	(39 389)	-1%	
Debt impairment		33 434 089	-	33 434 089	-100%	GRAP disclosure requirement; item presented to Council for condonment in accordance with MFMA requirements
Finance costs		75 847	150 000	(74 153)	-49%	Budgeted amount includes redemption related costs
Collection costs		317 797	340 000	(22 203)	-7%	
Repairs and maintenance		4 420 706	5 390 359	(969 653)	-18%	Limitations imposed on water and sanitation provisioning due to non payment of operating subisdy
Bulk purchases		8 597 802	8 600 000	(2 198)	0%	
General expenses		16 625 479	19 546 678	(2 921 199)	-15%	Non cashflow related items included in Budget Structure
Total Expenditure		**107 311 564**	**78 027 037**	**29 284 527**	**38%**	
NET SURPLUS/(DEFICIT) FOR THE YEAR		**12 076 134**	**28 783 619**	**(16 707 485)**	-58%	

ELUNDINI MUNICIPALITY

APPENDIX E2

ACTUAL VERSUS BUDGET: ACQUISITION OF PROPERTY PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under construction	2010 Total additions	2010 Budget	Variance	Variance %	Explanation of Significant Variances Greater than 5% versus Budget
	R	R	R	R	R		
Land	885 000		885 000	-		-100%	GRAP disclosure requirement- item to be taken to council for ratification
Land	-	-	-	3 231 499	(3 231 499)	-100%	Acquisition of land had been concluded through a deed of sale being formalised; transaction is awaiting formalisation with Council attorneys; budget rollover has been approved in the 2010/2011 MTREF
Landfill Sites	-	-	-	-	-	-	
	-	-	885 000	3 231 499	-3 231 499	-1	
Buildings			-		-		
Infrastructure							
Roads	11 770 254		11 770 254	14 550 165	(2 779 911)	-19%	Variation relates to Municipal and National differential in financial year ie. Conditional grant allocation i.r.o 2009/2010 received in 2008/2009 committed and spent.
Electricity Mains	3 422 139		3 422 139	6 200 000	(2 777 861)	-45%	The underspending is attributed in part to two components- Ugie Masterplan Upgrade- Delays within the award; programme is in advance stages of implementation- multi year appropriation R 16 million award; second component relates to the application for the upgrade of maximum demand submitted to eskom in August 2009, quote only received June 2010.
Reservoirs/Tanks/Pumps			-		-		
Services	-		-	3 221 440	(3 221 440)	-100%	Technical setbacks occured due to licensing /usage associated with avaliable borrow pits; project rollover applied for within 2010/2011; WSP capital budget structure curtailed by WSA
Taxi Ranks			-	-	-	-	
Airfield			-	-	-	-	
	15 192 393	-	15 192 393	23 971 605	-8 779 212	-164%	
Community Assets							
Parks & Gardens	120 314	-	400 356	757 781	(357 425)	-47%	Project in advance stages of completion; project rollover accomodated within 2010/2011 financial year.
Libraries	-	-	160 553	260 986	(100 433)	-38%	
Cemetry			120 911	139 686	(18 775)	-13%	Project complete project savings
Recreation Grounds	-	-	-	-	-	-	
Civic Buildings	153 981	-	153 981	1 500 000	(1 346 019)	-90%	Contract implementation delayed due to spiralling cost estimates; revised scope adopted during the course of May 2010; project rollover of R 4 Million approved as part of the 2010/2011 MTREF.
Halls	1 429 685	-	1 429 685	1 429 685	-	0%	
Pre-Schools	-	-	-	-	-	-	
Testing station	709 235		709 235	1 050 000	(340 765)	-32%	Project complete; budget virement to accomodate project costs outside of original price estimate from another approved program; unspent portions appropriated in 2010/2011 budget
Rehabilitation of pound	124 154		124 154	144 000	(19 846)	-14%	Project completed, realised project savings
Desrac projects	-		-	-	-	0%	
European funding				217 168	(217 168)	-100%	
Tourism capital	734 454		734 454	1 200 000	(465 546)	-39%	Project in advance stages of completion; project rollover accomodated within 2010/2011 financial year.
Arts & Craft	-	-	-	-	-	-	
Cemeteries	-	-	-	-	-	-	
	3 271 823	-	3 833 329	6 699 306	-2 865 977	-374%	
Other Assets							
Office Equipment	338 567	-	338 567	1 697 879	(1 359 312)	-	
Furniture & Fittings		-	-		-		
Plant and Equipment	12 980 099	-	12 980 099	13 862 313	(882 214)	-6%	All plant and equipment specified and provisionally estimated procured.
Motor vehicles	495 926	-	495 926	502 000	(6 074)	-1%	
Specialised vehicles	-	-	-	-	-		
Computer Equipment	368 854	-	368 854	400 000	(31 146)	-8%	
ICT Equipment	-		-	200 000	(200 000)	-100%	Project finance insufficient to finance additions; based on price estimates received from SP's; programme rolled over to new financial year- budget augmentation
Loose equipment	-	-	-	-	-	-	
	14 183 446	-	14 183 446	16 662 192	-2 478 746	-115%	
TOTAL	**32 647 662**	**-**	**34 094 168**	**50 564 602**	**(17 355 434)**	**-753%**	

(50 564 602)

ELUNDINI MUNICIPALITY
APPENDIX F
DISCLOSURE OF GRANTS AND SUBISDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2010

Grant Description	Unspent balance 30 June 2009	Contributions	Transfers	Expenditure during the year transferred to revenue	Unspent balance at 30 June 2010	Complied with conditions
	R	R	R	R	R	
7140/5403-MSP	-1 637 911.86	0	0	0	-1 637 911.86	Yes
7140/5405-EPWP	-420 164.58	-911 000.00	0	194 773.92	-1 136 390.66	Yes
7140/5411-HAWKERS STALLS	-	-1 905 000.00	0		-1 905 000.00	Yes
7140/5416-VOTER STATION	-1 108.65	-197 502.00	0	98 751.00	-99 859.65	Yes
7140/5421-HOUSING PERSONNEL	-60 483.38	-	0	60 483.38	-	Yes
7140/5422-TOWN REGISTER	-21 224.20	-	0	21 260.25	36.05	Yes
7140/5423-DROUGHT RELIEF	-942 251.49	-	0	942 251.07	-0.42	Yes
7140/5424-INTERVENTION FUND	-509 490.55	-	0	509 490.55	-	Yes
7140/5425-CMIP	-1 001 747.47	-	0	1 001 747.47	-	Yes
7140/5426-ELUNDINI HOUSING	-71 731.70	-	0	-	-71 731.70	Yes
7140/5427-TRANSITIONAL FUND	-978 970.44	-	0	978 970.48	0.04	Yes
7140/5428-CAPACITY BUILDING	-1 235 773.31	-	0	1 235 773.31	-	Yes
7140/5429-KATLEHONG HOUSING	-2 791.28	-	0	-	-2 791.28	Yes
7140/5430- HOUSING PILOT	-112 507.85	-	0	-	-112 507.85	Yes
7140/5432-LIBRARY FUND	-276 015.18	-700 000.00	0	700 000.00	-276 015.18	Yes
7140/5441-ADM FUND	-73 854.83	-	0	73 854.83	-	Yes
7140/5442-IDP FUND	-118 599.74	-	0	118 599.74	-	Yes
7140/5443-TOURISM	-1 857 781.04	-	0	1 265 424.12	-592 356.92	Yes
7140/5444-SURVEY	-228 899.17	-	0	228 899.17	-	Yes
7140/5445-MT FLETCHER YOUTH	-200 000.00	-	0	100 049.62	-99 950.38	Yes
7140/5446-LED OPEN	-38 725.54	-	0	-	-38 725.54	Yes
7140/5447-MACLEAR GREENFIELD	-805 811.34	-	0	-	-805 811.34	Yes
7140/5448-ENKULULEKWENI	-438 879.16	-	0	438 879.16	-	Yes
7140/5449-LEAVE RESERVE	-12 118.16	-	0	-	-12 118.16	Yes
7140/5450-EUROPEAN UNION	-	-217 167.50	0	-	-217 167.50	Yes
7140/5451-HIV/AIDS	-60 000.00	-	0	6 000.00	-54 000.00	Yes
7140/5454-IDP PROCESS	-	-50 000.00	0	-	-50 000.00	Yes
7140/5455-MADIBA CORRIDOR	-	-700 000.00	0	-	-700 000.00	Yes
7140/5461-WARD FUNTIONS	-	-204 000.00	0	-	-204 000.00	Yes
7140/5462-PLANT/MACHINERY	-	-7 274 049.85	0	7 274 049.85	-	Yes
7140/5463-COMMUNITY PARTICIPATION	-	-226 000.00	0	-	-226 000.00	Yes
7140/5470- FURNITURE MANUFACTURING	-	-2 503 265.00	0	50 920.00	-2 452 345.00	Yes
7140/5401-MUNICIPAL INFRASTRUCTURE GRANT	-8 131 651.51	-12 564 813.35	0	13 918 428.66	-6 778 036.20	Yes
7140/5402-NER	-6 139 650.13	-5 000 000.00	0	3 923 681.93	-7 215 968.20	Yes
7140/5404-FINANCIAL MANAGEMENT GRANT	-396 236.00	-1 000 000.00	0	1 396 236.00	-	Yes
7140/5407-MUNICIPAL SYSTEMS IMPROVEMENT GRANT	-756 828.69	-735 000.00	0	1 504 011.42	12 182.73	Yes
TOTAL	**-26 531 207**	**-34 187 798**	**-**	**36 042 536**	**-24 676 469**	