

Joe Gqabi District MUNICIPALITY



CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2010

JOE GQABI DISTRICT MUNICIPALITY

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JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Joe Gqabi District Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

Gariep Local Municipality (Burgersdorp, Venterstad and Steynsburg)
Maletswai Local Municipality (Aliwal North and Jamestown)
Senqu Local Municipality (Lady Grey, Sterkspruit and Barkly East)
Elundini Local Municipality (Maclear, Ugie and Mount Fletcher)

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	T L Marawu	
Speaker	X K Solani	
Councillor	G S Brown	Portfolio head: Financial Services
Councillor	L Magqashela	Portfolio head: Technical Services
Councillor	X G Motloi	Portfolio head: Corporate Services
Councillor	N Mtyali	Portfolio head: Community Services

MUNICIPAL MANAGER

Mr Z A Williams

CHIEF FINANCIAL OFFICER

Mr A F Bothma

OTHER DIRECTORS

Mr R J Fortuin - Director: Technical Services
Ms F J Sephton - Director: Community Services & Planning
Mr H Z Jantjie - Director: Corporate Services

REGISTERED OFFICE

P/Bag X102 C/o Cole and Graham Street
Barkly East Barkly East
9786 9786

AUDITORS

Office of the Auditor General (EC)
Private Bag X5045
Mthatha
5100

ATTORNEYS

Douglas and Botha
Aliwal North
9750

PRINCIPAL BANKERS

ABSA
P O Box 323
Bloemfontein
9300

AUDIT COMMITTEE

J T Mdeni - Chairperson
C R Venter - Member
P G Du Toit - Member
T de Beer - Member

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Remuneration of Public Office Bearers' Act (Act 20 of 1998)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALGBC Leave Regulations
Companies Act of South Africa, 1973

MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY

PROPORTIONAL ELECTED COUNCILLORS

Executive Mayor	T L Marawu
Speaker	X K Solani
Councillors: JGDM	L Magqashela G S Brown E N Sokudela D F Hartkopf X G Motloi N Mtyali L N Gova M E Manzi

REPRESENTATIVE COUNCILLORS

Senqu Local Municipality	M C E Stanley Z Dumzela V Mbulawa G Mbonzana P August
Elundini Local Municipality	M P Leteba N F Mphithi N R Lengs B Salman D D Mvumvu
Maletswai Local Municipality	Z Phungwani N B B Mokhantso (Until February 2010) E Mbana (From March 2010)
Gariep Local Municipality	N Ngoqo

JOE GQABI DISTRICT MUNICIPALITY

APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

I am responsible for the preparation of these annual consolidated financial statements, which are set out on pages 1 to 61 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Economic Entity.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr Z A Williams
Municipal Manager

30/06/2010

Date

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		330 891 773	298 467 290
Accumulated Surplus/(Deficit)		330 891 773	298 467 290
Non-Current Liabilities		28 335 002	26 753 262
Long-term Liabilities	2	7 178 073	7 524 754
Employee benefits	3	21 156 929	19 228 508
Current Liabilities		93 668 956	75 064 738
Current Employee benefits	4	7 571 099	6 497 719
Trade and other payables	5	47 127 553	22 605 207
Unspent Conditional Government Grants and Receipts	6	30 325 801	45 556 660
Cash and Cash Equivalents	13	8 288 483	-
Current Portion of Long-term Liabilities	2	356 020	405 153
Total Net Assets and Liabilities		452 895 731	400 285 290
ASSETS			
Non-Current Assets		371 650 742	291 601 051
Property, Plant and Equipment	8	371 026 957	291 002 388
Intangible Assets	9	-	-
Non-Current Investments	10	623 785	598 663
Current Assets		81 244 989	108 684 239
Inventory	11	1 148 747	795 429
Other Receivables from non-exchange transactions	12	249 598	31 058 499
Unpaid Conditional Government Grants and Receipts	6	9 821 252	4 135 032
Taxes	7	6 177 374	5 296 730
Cash and Cash Equivalents	13	63 848 019	67 398 550
Total Assets		452 895 731	400 285 290

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 (Actual) R	2009 (Restated) R	Correction of error R	2009 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		260 568 562	267 394 081	(18 951 230)	286 345 311
Transfer Revenue		259 863 909	245 729 511	(9 920 981)	255 650 492
	Government Grants and Subsidies - Capital	94 507 078	96 219 239	1 228 397	94 990 842
14	Government Grants and Subsidies - Operating	165 356 831	149 510 272	(11 149 378)	160 659 650
Other Revenue		704 653	21 664 570	(9 030 250)	30 694 819
	Actuarial Gains	283 940	925 839	-	925 839
	Fines	300	5 350	-	5 350
	Stock Adjustments	420 413	-	-	-
18	Reversal of provision for impairment	-	20 733 380	(9 030 250)	29 763 630
Revenue from Exchange Transactions		6 518 011	9 043 084	44 602	8 998 482
	Rental of Facilities and Equipment	57 358	33 408	27 066	6 342
	Interest Earned - external investments	3 950 461	6 155 312	-	6 155 312
	Interest Earned - outstanding debtors	-	24 734	-	24 734
	Income from Agency Services	931 069	1 455 738	-	1 455 738
15	Other Income	1 579 123	1 373 892	17 536	1 356 356
Total Revenue		267 086 573	276 437 165	(18 906 629)	295 343 794
EXPENDITURE					
	Employee related costs	63 414 155	49 588 259	(1 258 209)	50 846 468
16	Remuneration of Councillors	3 571 362	3 326 401	-	3 326 401
18	Debt Impairment	852 490	-	-	-
	Depreciation and Amortisation	3 880 969	4 621 595	757 291	3 864 304
	Repairs and Maintenance	15 503 304	10 626 360	-	10 626 360
19	Finance Charges	2 711 998	2 965 325	15 613	2 949 712
	Contracted services	32 967 669	42 903 628	(67 226 418)	110 130 046
20	Grants and Subsidies Paid	21 577 219	-	-	-
	Other Operating Grant Expenditure	30 571 676	46 021 698	(14 429 814)	60 451 512
21	General Expenses	59 611 250	20 185 861	31 427	20 154 434
Total Expenditure		234 662 091	180 239 127	(82 110 110)	262 349 237
NET SURPLUS/(DEFICIT) FOR THE YEAR		32 424 482	96 198 038	(63 203 482)	32 994 557

JOE GQABI DISTRICT MUNICIPALITY

**CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR
ENDED 30 JUNE 2010**

	Accumulated Surplus/(Deficit)	Total
	R	R
Balance at 1 JULY 2008	5 336 014	5 336 014
Correction of error restatement - Refer to note 22.16	196 933 233	196 933 233
Rounding	4	4
Restated Balance at 1 JULY 2008	202 269 251	202 269 251
Net Surplus for the year	96 198 038	96 198 038
Balance at 30 JUNE 2009	298 467 290	298 467 290
Net Surplus/(Deficit) for the year	32 424 482	32 424 482
Rounding	1	1
Balance at 30 JUNE 2010	330 885 736	330 891 773

JOE GQABI DISTRICT MUNICIPALITY

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from government and other - Non-Exchange Transactions		277 048 620	272 862 149
Cash payments to suppliers and employees		(204 918 982)	(176 407 950)
Cash receipts and payments on VAT transactions		(880 644)	(6 326 795)
Cash generated/(absorbed) by operations	23	<u>71 248 994</u>	<u>90 127 404</u>
Interest Received		3 950 461	6 155 312
Interest Paid		(2 711 997)	(2 965 325)
Net Cash from Operating Activities		<u>72 487 458</u>	<u>93 317 391</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(83 905 538)	(78 673 494)
Increase in Non-current Investments		(25 122)	(18 809)
Net Cash from Investing Activities		<u>(83 930 660)</u>	<u>(78 692 303)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
New loans (repaid)		(395 813)	(451 331)
(Increase)/Decrease in Long-term Receivables		-	169 667
Rounding		-	-
Net Cash from Financing Activities		<u>(395 813)</u>	<u>(281 664)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(11 839 015)</u>	<u>14 343 424</u>
Cash and Cash Equivalents at the beginning of the year		67 398 550	53 055 125
Cash and Cash Equivalents at the end of the year	24	<u>55 559 535</u>	<u>67 398 550</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(11 839 014)</u>	<u>14 343 425</u>

JOE GQABI DISTRICT MUNICIPALITY
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
 ENDED 30 JUNE 2010

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PRESENTATION

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

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
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 Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
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 (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IPSAS 20	Related Party Disclosure
IFRS 3 (AC140)	Business Combinations
IFRS 4 (AC141)	Insurance Contracts
IFRS 6 (AC143)	Exploration for and Evaluation of Mineral Resources

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 ENDED 30 JUNE 2010

IFRS 7 (AC144)	Financial Instruments: Disclosure
IAS 12 (AC102)	Income Taxes
IAS 19 (AC116)	Employee Benefits
IAS 32 (AC125)	Financial Instruments: Presentation
IAS 39 (AC133)	Recognition and Measurement
SIC – 21 (AC421)	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
SIC – 25 (AC425)	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
SIC – 29 (AC429)	Service Concessions Arrangements – Disclosures
IFRIC 2 (AC435)	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC437)	Determining whether an Arrangement contains a Lease
IFRIC 9 (AC442)	Reassessment of Embedded Derivatives
IFRIC 12 (AC445)	Service Concession Arrangements
IFRIC 13 (AC446)	Customer Loyalty Programmes
IFRIC 14 (AC447) IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
IFRIC 15 (AC448)	Agreements for the Construction of Real Estate
IFRIC 16 (AC449)	Hedges in a Net Investment in a Foreign Operation

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

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

In terms of Directive 3: "Transitional Provisions for High Capacity Municipalities" issued by the Accounting Standards Board the Economic Entity has adopted the transitional provisions for the following GRAP Standards:

GRAP 17 – Property, Plant and Equipment
 GRAP 102 – Intangible Assets

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

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

1.4. COMPARATIVE INFORMATION

As noted below, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 11 to 14 have been disclosed in the financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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

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

GRAP 18	Segment Reporting
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee Benefits
GRAP 26	Impairment of cash-generating assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

These standards, amendments and interpretations will not have a significant impact on the Economic Entity once implemented.

JOE GQABI DISTRICT MUNICIPALITY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010

1.6. LEASES

1.6.1 *Economic Entity as Lessee*

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

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

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

1.6.2 *Economic Entity as Lessor*

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

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

1.7. UNSPENT CONDITIONAL GRANTS

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010

- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investments or part of the general investments of the Economic Entity until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Economic Entity's interest it is recognised as interest earned in the Statement of Financial Performance.

1.8. UNSPENT CONDITIONAL GRANTS

Unpaid conditional grants are financial assets that are separately reflected on the Statement of Financial Position. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.9. PROVISIONS

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

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

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

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

- (a) The Economic Entity has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
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- (b) The Economic Entity 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.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

1.10. EMPLOYEE BENEFITS

(a) *Post Retirement Medical obligations*

The Economic Entity provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with IAS 19 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The unrecognised liability was calculated by means of the projected unit credit actuarial valuation method. A formal actuarial valuation is performed bi-annually, except if there are major restructuring in employee benefits. Where a formal actuarial valuation was not performed, an actuarial valuation assessment is performed to account for changes in discount and health care cost inflation rates. Any material variances between the formal actuarial valuation and the actuarial valuation assessment will be disclosed as a contingent liability. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(b) *Long Service awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Economic Entity. The Economic Entity's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. A formal actuarial valuation is performed bi-annually, except if there are major restructuring. Where a formal actuarial valuation was not performed, an actuarial valuation assessment is performed to account for changes in discount and

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general salary inflation rates. Any material variances between the formal actuarial valuation and the actuarial valuation assessment will be disclosed as a contingent liability. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

(c) *Accrued Leave Pay*

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

(d) *Pension and retirement fund obligations*

The Economic Entity provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

1.11. BORROWING COSTS

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

1.12. PROPERTY, PLANT AND EQUIPMENT

1.12.1 *Initial Recognition*

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2010

location and condition necessary for it to be capable of operating in the manner intended by the Economic Entity. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

1.12.2 Subsequent Measurement – Cost Model

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

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

1.12.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

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	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Water	15-20	Buildings	30
Sewerage	15-20	Specialist vehicles	10-20
		Other vehicles	5-7
		Office equipment	3-7
<u>Community</u>		Furniture and fittings	5-15
Buildings	30	Watercraft	15
Recreational Facilities	20-30	Bins and containers	5
Security	5	Specialised plant and	
Halls	30	Equipment	5-15
Libraries	30	Other plant and	
Parks and gardens	15-20	Equipment	2-5
Other assets	15-20	Emergency equipment	5-15
		Computer equipment	5
<u>Finance lease assets</u>			
Office equipment	5		
Other assets	5-6		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

1.12.4 De-recognition

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

1.13. INTANGIBLE ASSETS

1.13.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

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- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Economic Entity recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Economic Entity and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

1.13.2 Subsequent Measurement – Cost Model

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

1.13.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5

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1.13.4 De-recognition

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

1.14. INVESTMENT PROPERTY

1.14.1 Initial Recognition

Investment property shall be 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 entity, and
- the cost or fair value of the investment property can be measured reliably.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Economic Entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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

1.14.2 Subsequent Measurement – Cost Model

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

1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that

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are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

1.14.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.15. NON-CURRENT ASSETS HELD FOR SALE

1.15.1 Initial Recognition

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

1.15.2 Subsequent Measurement

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

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

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

1.16. IMPAIRMENT OF NON-FINANCIAL ASSETS

The Economic Entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Economic Entity estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Economic Entity's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash

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flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Economic Entity estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

1.17. INVENTORIES

1.17.1 Initial Recognition

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

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

1.17.2 Subsequent Measurement

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

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

In general, the basis of allocating cost to inventory items is the weighted average method.

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1.18. FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include trade and other receivables, cash and cash equivalents, annuity loans and trade and other payables.

1.18.1 Initial Recognition

Financial instruments are initially recognised when the Economic Entity becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.18.2 Subsequent Measurement

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

1.18.2.2 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Economic Entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Economic Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in an Economic Entity of financial assets with similar credit risk characteristics and collectively assesses them 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.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Economic Entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement.

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The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.18.2.3 Trade Payables and Borrowings

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

1.18.2.4 Cash and Cash Equivalents

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

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

1.18.3 De-recognition of Financial Instruments

1.18.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of an Economic Entity of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Economic Entity has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Economic Entity has transferred substantially all the risks and rewards of the asset, or (b) the Economic Entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Economic Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Economic Entity's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Economic Entity could be required to repay.

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When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Economic Entity's continuing involvement is the amount of the transferred asset that the Economic Entity may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Economic Entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.18.3.2 *Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.18.4 ***Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.19 **TAXATION**

1.19.1 ***Current tax assets and liabilities***

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

1.19.2 ***Deferred tax assets and liabilities***

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.19.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.20. REVENUE

1.20.1 Revenue from Non-Exchange Transactions

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

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

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

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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

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

Revenue shall be measured at the fair value of the consideration received or receivable.

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When, as a result of a non-exchange transaction, an Economic Entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.20.2 Revenue from Exchange Transactions

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

Interest revenue is recognised using the effective interest rate method.

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

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

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

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

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

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

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The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue and in accordance with the relevant Standards of GRAP on Financial Instruments.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.20.3 Grants, Transfers and Donations (Non-Exchange Revenue)

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

1.21. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.22. UNAUTHORISED EXPENDITURE

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

1.23. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the

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Economic Entity's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.24. FRUITLESS AND WASTEFUL EXPENDITURE

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

1.25. CONTINGENT LIABILITIES

All known contingent liabilities are reflected in the financial statements.

1.26. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Economic Entity's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – the Economic Entity as lessor

The Economic Entity has entered into commercial property leases on its investment property portfolio. The Economic Entity has determined that it retains all the significant risks and rewards of ownership of these properties, and so accounts for them as operating leases.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of trade receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements

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and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Provisions and contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.20.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.20.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Economic Entity.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation note 1.20 above). Specifically, whether the Economic Entity, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Economic Entity is satisfied that recognition of the revenue in the current year is appropriate.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Economic Entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Economic Entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Economic Entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Economic Entity to realise the net deferred tax assets recorded at the reporting date could be impacted.

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1.27. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

1.28. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

1.29. CONSOLIDATED FINANCIAL STATEMENTS

The Economic Entity's financial statements incorporate the financial statements of the parent entity, Joe Gqabi District Municipality, and all its municipal entities, presented as a single entity and consolidated at the same reporting date as the parent entity.

All inter-entity transactions and balances, unrealized gains and losses within the Economic Entity are eliminated upon consolidation. Where appropriate the accounting policies of controlled entities conform to the policies adopted by the Municipality.

Municipal entities are all controlled entities over which the Municipality has ownership control or effective control to govern the financial and operating policies of such controlled entities so as to benefit from its activities.

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	7 534 093	7 914 531
As previously reported		7 898 918
Correction of error restatement - Refer to note 22.07		15 613
Capitalised Lease Liability - At amortised cost	-	15 376
	7 534 093	7 929 907
Less: Current Portion transferred to Current Liabilities	356 020	405 153
Annuity Loans - At amortised cost	356 020	389 777
Capitalised Lease Liability - At amortised cost	-	15 376
Total Long-term Liabilities - At amortised cost using the effective interest rate method	7 178 073	7 524 754

Annuity loans at amortised cost is calculated at 10.00% - 13.08% interest rate, with first maturity date of 31 December 2010 and last maturity date of 31 March 2025.

The obligations under annuity loans are scheduled below:

Amounts payable under annuity loans:

	2010 R	2009 R
Payable within one year	1 202 523	1 272 831
Payable within two to five years	4 528 859	4 599 168
Payable after five years	9 367 442	10 499 657
	15 098 824	16 371 656
Less: Future finance obligations	(7 564 731)	(8 457 124)
Present value of annuity obligations	7 534 093	7 914 531

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	2010 R	2009 R
Payable within one year	-	15 840
Payable within two to five years	-	-
Payable after five years	-	-
	-	15 840
Less: Future finance obligations	-	(464)
Present value of lease obligations	-	15 376

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

	2010 R	2009 R
3 EMPLOYEE BENEFITS		
Post Retirement Benefits	14 989 134	13 997 248
Ex Gratia Gratuities	4 438 125	3 887 210
Long Service Awards	1 729 670	1 344 050
Total Non-current Employee Benefit Liabilities	21 156 929	19 228 508
<u>Post Retirement Benefits</u>		
Balance 1 July	14 859 063	14 142 533
Contribution for the year	1 919 635	2 053 595
Expenditure for the year	(888 576)	(788 922)
Actuarial Loss/(Gain)	26 762	(548 143)
Total post retirement benefits 30 June	15 916 884	14 859 063
Less: Transfer of Current Portion - Note 4	(927 750)	(861 815)
Balance 30 June	14 989 134	13 997 248

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<u>Ex Gratia Gratuities</u>		
Balance 1 July	3 887 210	3 607 878
Contribution for the year	550 916	599 041
Expenditure for the year	-	(276 520)
Actuarial Loss/(Gain)	(1)	(43 189)
Total provision 30 June	4 438 125	3 887 210
Less: Transfer of Current Portion to Current Provisions - Note 4	-	-
Balance 30 June	4 438 125	3 887 210

<u>Long Service Awards</u>		
Balance 1 July	1 787 693	1 689 335
Contribution for the year	576 464	505 866
Expenditure for the year	(132 943)	(73 000)
Actuarial Loss/(Gain)	(310 700)	(334 508)
Total long service 30 June	1 920 514	1 787 693
Less: Transfer of Current Portion - Note 4	(190 844)	(443 643)
Balance 30 June	1 729 670	1 344 050

<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	20 533 966	19 439 746
Contribution for the year	3 047 015	3 158 502
Expenditure for the year	(1 021 519)	(1 138 442)
Actuarial Loss/(Gain)	(283 939)	(925 840)
Total employee benefits 30 June	22 275 523	20 533 966
Less: Transfer of Current Portion - Note 4	(1 118 594)	(1 305 458)
Balance 30 June	21 156 929	19 228 508

3.1 Post Retirement Benefits

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

In-service (employee) members	92	92
Continuation members (e.g. Retirees, widows, orphans)	43	43
Total Members	135	135

	2010 R	2009 R
The liability in respect of past service has been estimated to be as follows:		
In-service members	6 992 798	6 528 063
Continuation members	8 924 086	8 331 000
Total Liability	15 916 884	14 859 063

The Economic Entity makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
SAMWU Medical Aid; and
Key Health.

The Future-service Cost for the ensuing year is estimated to be R648 097, whereas the Interest- Cost for the next year is estimated to be R1 420 254.

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Key actuarial assumptions used:	2010	2009
	%	%
i) Rate of interest		
Discount rate	9.18%	9.18%
Health Care Cost Inflation Rate	7.65%	7.65%
Net Effective Discount Rate	1.42%	1.42%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the Economic Entity is 63 years: Male
The normal retirement age for employees of the Economic Entity is 58 years: Female

	2010	2009
	R	R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	15 916 884	14 859 063
Net liability/(asset)	15 916 884	14 859 063

The Economic Entity has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	14 859 064	14 142 534
Total expenses	1 031 059	1 264 673
Current service cost	593 578	557 716
Interest Cost	1 326 057	1 495 879
Benefits Paid	(888 576)	(788 922)
Actuarial (gains)/losses	26 761	(548 143)
Present value of fund obligation at the end of the year	15 916 884	14 859 064
Less: Transfer of Current Portion - Note 4	(927 750)	(861 815)
Balance 30 June	14 989 134	13 997 249

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions - Year ending 30 June 2010	593 000	1 326 000	1 919 000
Central Assumptions - Year ending 30 June 2009	557 700	1 495 900	2 053 600

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Year ending 30 June 2010					
Health care inflation	+1%	728 800	1 503 000	2 231 800	16%
Health care inflation	-1%	487 700	1 179 000	1 666 700	-13%
Post-retirement mortality	-1 year	613 200	1 381 300	1 994 500	4%
Average retirement age	-1 year	638 000	1 384 100	2 022 100	5%
Withdrawal Rate	-50%	690 500	1 383 500	2 074 000	8%
Year ending 30 June 2009					
Health care inflation	+1%	689 100	1 696 400	2 385 500	16%
Health care inflation	-1%	455 200	1 329 600	1 784 800	-13%
Post-retirement mortality	-1 year	576 800	1 559 400	2 136 200	4%
Average retirement age	-1 year	641 600	1 556 100	2 197 700	7%
Withdrawal Rate	-50%	659 800	1 563 700	2 223 500	8%

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3.2 Ex Gratia Gratuities

The Ex Gratia Gratuities plans are defined benefit plans. As at year end, 74 employees were eligible for Ex Gratia Gratuities.

Key actuarial assumptions used:

	2010 %	2009 %
i) Rate of interest		
Discount rate	9.14	9.14
General Salary Inflation (long-term)	6.59	6.59
Net Effective Discount Rate	2.40	2.40

	2010 R	2009 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	4 438 125	3 887 210
Fair value of plan assets	-	-
Net liability	4 438 125	3 887 210

Reconciliation of present value of fund obligation:

	2010	2009
Present value of fund obligation at the beginning of the year	3 887 210	3 607 878
Total expenses	550 916	322 521
Current service cost	195 632	203 394
Interest Cost	355 284	395 647
Benefits Paid	-	(276 520)
Actuarial gains	(1)	(43 189)
Present value of fund obligation at the end of the year	4 438 125	3 887 210

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions - Year ending 30 June 2010	195 600	355 300	550 900
Central Assumptions - Year ending 30 June 2009	203 400	395 600	599 000

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Year ending 30 June 2010					
Salary Inflation	+1%	211 800	383 800	595 600	8%
Salary Inflation	-1%	180 900	329 300	510 200	-7%
Average retirement age	-1 year	191 400	374 600	566 000	3%
Withdrawal Rate	-50%	199 300	361 200	560 500	2%
Year ending 30 June 2009					
Salary Inflation	+1%	222 000	430 900	652 900	9%
Salary Inflation	-1%	186 500	363 600	550 100	-8%
Average retirement age	-1 year	213 200	414 700	627 900	5%
Withdrawal Rate	-50%	208 500	404 500	613 000	2%

3.3 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 542 employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R475 149, whereas the Interest cost for the next year is estimated to be R163 181.

	2010 %	2009 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.47%	8.47%
General Salary Inflation (long-term)	6.17%	6.17%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.17%	2.17%

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	1 920 514	1 787 693
Net liability/(asset)	1 920 514	1 787 693
	2010 R	2009 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	1 787 693	1 689 335
Total expenses	443 521	432 866
Current service cost	436 193	339 584
Interest Cost	140 271	166 282
Benefits Paid	(132 943)	(73 000)
Actuarial (gains)/losses	(310 700)	(334 508)
Present value of fund obligation at the end of the year	1 920 514	1 787 693
Less: Transfer of Current Portion - Note 4	(190 844)	(443 643)
Balance 30 June	1 729 670	1 344 050

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions - Year ending 30 June 2010	436 193	140 271	576 464
Central Assumptions - Year ending 30 June 2009	339 584	166 282	505 866

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% Change
Year ending 30 June 2010					
Salary Inflation	+1%	449 311	146 850	596 161	3%
Salary Inflation	-1%	424 197	134 143	558 340	-3%
Average retirement age	-2 years	452 527	150 647	603 174	5%
Average retirement age	+2 years	417 321	123 998	541 319	-6%
Withdrawal Rate	-50%	490 549	159 310	649 859	13%
Year ending 30 June 2009					
Salary Inflation	+1%	351 221	173 759	524 980	4%
Salary Inflation	-1%	328 986	159 303	488 289	-3%
Average retirement age	-2 years	351 557	177 810	529 367	5%
Average retirement age	+2 years	319 857	147 894	467 751	-8%
Withdrawal Rate	-50%	386 882	187 437	574 319	14%

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
3.4 Retirement Funds		
Both the Cape Joint Pension Fund and Cape Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of IAS 19, multi-employer plans are defined as defined benefit plans. IAS 19 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.		
The Economic Entity requested detailed employee and pensioner information as well as information on the Economic Entity's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Economic Entity is unable to determine the value of the plan assets as defined in IAS 19.		
As part of the Economic Entity's process to value the defined benefit liabilities, the Economic Entity requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Economic Entity. Without detailed pensioner data the Economic Entity was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.		
Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.		
<u>CAPE JOINT PENSION FUND</u>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2008 - 106.5%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year. Refer to Contingent Liabilities - note 36		
Contributions paid for the year recognised in the Statement of Financial Performance	83 818	126 154
<u>CAPE RETIREMENT FUND</u>		
The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2008 - 103.3%).		
Contributions paid for the year recognised in the Statement of Financial Performance	3 152 714	2 256 809
<u>DEFINED CONTRIBUTION FUNDS</u>		
Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.		
Contributions paid for the year recognised in the Statement of Financial Performance		
Government Employees Pension Fund	329 942	304 460
Municipal Councillors Pension Fund	239 448	224 390
IMATU Retirement Fund	46 542	40 823
SAMWU National Provident Fund	1 170 296	1 113 047
	1 786 228	1 682 720

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
4 CURRENT EMPLOYEE BENEFITS		
Staff Bonuses	2 143 138	1 638 574
Staff Leave	3 041 518	3 553 687
TASK Job Evaluation Provision	1 267 849	-
Current Portion of Non-Current Employee Benefits	1 118 594	1 305 458
Current Portion of Post Retirement Benefits - Note 3	927 750	861 815
Current Portion of Long-Service Awards - Note 3	190 844	443 643
Total Current Employee Benefits	7 571 099	6 497 719

The movement in current employee benefits are reconciled as follows:

Staff Bonuses

Balance at beginning of year	1 638 574	1 386 074
Contribution to current portion	2 143 138	1 638 574
Expenditure incurred	(1 638 574)	(1 386 074)
Balance at end of year	2 143 138	1 638 574

Bonuses are being paid to all municipal staff, excluding temporary staff, Director Community and Social Services and Director Infrastructure and Technical Services . The balance at year end represents the portion of the bonus that have already vested for the current salary cycle. This bonus will be paid out in November of each year or pro-rate when employment is terminated.

Staff Leave

Balance at beginning of year	3 553 687	4 068 148
Contribution to current portion	116 707	(131 072)
As previously reported		176 087
Correction of error restatement - Refer to note 22.03		(307 159)
Expenditure incurred	(628 876)	(383 389)
Balance at end of year	3 041 518	3 553 687

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

5 TRADE AND OTHER PAYABLES

Trade Payables	32 589 514	19 708 285
As previously reported		19 550 106
Correction of error restatement - Refer to note 22.08		158 179
Interest Accrued	211 919	219 081
Sundry Creditors	11 501 403	1 781 975
As previously reported		2 746 295
Correction of error restatement - Refer to note 22.02		(164 636)
Correction of error restatement - Refer to note 22.04		(892 592)
Correction of error restatement - Refer to note 22.10		5 944
Correction of error restatement - Refer to note 22.15		86 964
Payments received in advance	2 824 718	895 865
As previously reported		-
Correction of error restatement - Refer to note 22.09		4 027 553
Correction of error restatement - Refer to note 22.13		(2 174 688)
Correction of error restatement - Refer to note 22.04		(957 000)
Total Trade Payables	47 127 553	22 605 207

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

6	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	2010 R	2009 R
	Unspent Grants	30 325 801	45 556 660
	National Government Grants	23 766 577	24 302 737
	Provincial Government Grants	6 248 748	14 009 810
	DoRA Government Grants	-	7 244 113
	Other Sources	310 476	-
	Less: Unpaid Grants	(9 821 252)	(4 135 032)
	National Government Grants	-	(103 856)
	Provincial Government Grants	(1 443 625)	(2 324 234)
	DoRA Government Grants	(8 377 627)	(674 592)
	Other Sources	-	(1 032 350)
	Total Conditional Grants and Receipts	20 504 549	41 421 628

See appendix "B" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The Economic Entity complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

The movement in unspent conditional government grants and receipts are reconciled as follows:

6.1 National Government Grants

Opening balance	24 198 881	16 986 798
As previously reported		22 469 725
Correction of error restatement - Refer to note 22.09		(5 482 927)
Grants received	16 865 643	43 099 584
As previously reported		53 685 236
Correction of error restatement - Refer to note 22.09		(14 260 340)
Correction of error restatement - Refer to note 22.13		2 174 688
Correction of error restatement - Refer to note 22.04		1 500 000
Operating conditions met	(17 297 947)	(35 887 501)
As previously reported		(47 873 614)
Correction of error restatement - Refer to note 22.09		15 715 714
Correction of error restatement - Refer to note 22.13		(3 583 856)
Correction of error restatement - Refer to note 22.13		(145 745)
Capital conditions met	-	-
	23 766 577	24 198 881
Plus: Unpaid Grants	-	103 856
	23 766 577	24 302 737

National Government Grants consists out the following:

Department Water Affairs - *implementation of WSA business plan to supply water*
 Drought Relief Elundini - *implementation of drought relief activities in Elundini*
 Drought Relief Senqu - *implementation of drought relief activities in Senqu*
 EPWP Programme - *incentive grant (unconditional) for creating jobs*
 Working for Wetlands - *conservation of indigenous plant and water habitat*

6.2 Provincial Government Grants

Opening balance	11 685 576	12 319 611
Grants received	38 883 447	18 261 832
Operating conditions met	(45 763 900)	(18 895 867)
As previously reported		(17 950 964)
Correction of error restatement - Refer to note 22.13		(150 000)
Correction of error restatement - Refer to note 22.13		(394 087)
Correction of error restatement - Refer to note 22.13		82 256
Correction of error restatement - Refer to note 22.13		(28 959)
Correction of error restatement - Refer to note 22.13		(49 453)
Correction of error restatement - Refer to note 22.13		(350 000)
Correction of error restatement - Refer to note 22.13		(54 660)
Capital conditions met	-	-
	4 805 123	11 685 576
Plus: Unpaid Grants	1 443 625	2 324 234
	6 248 748	14 009 810

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Provincial Government Grants consists out the following:		
<i>Aids Secretary Salaries - additional salary support for secretaries</i>		
<i>DEAET - to support projects in Local Municipalities related to economic development</i>		
<i>DGLTA Aliwal North WTP - refurbish Aliwal North's treatment works</i>		
<i>Disaster Management Community Awareness - to undertake disaster awareness among the community</i>		
<i>Disaster Management Forum - to ensure operation of disaster management forum</i>		
<i>Disaster Management Establishment of Centres - construct and equip disaster centres</i>		
<i>Disaster Management - to improve operational business plan for disaster management</i>		
<i>Disaster Management Plan - to develop and review disaster management</i>		
<i>Disaster Management Fire & Emergency Services - run of fire service</i>		
<i>Disaster Management Policy Framework - development of disaster policies</i>		
<i>Disaster Management Rebuild Houses - reconstruction of houses effected by disaster</i>		
<i>Disaster Management Training of Volunteers - training of volunteers to respond to disaster</i>		
<i>Elundini Community Hall & Road - constructing of community hall and facilities at Elundini</i>		
<i>Ekephine Radio Research - feasibility study for a sustainable community radio station</i>		
<i>Gariep Implement Lake - to develop a business plan for the development of a resort and facilities</i>		
<i>IDP - to adhere to all legislative requirements regarding the IDP</i>		
<i>ISRDP Nodal Support - tourism and local economic development</i>		
<i>IT Implementation - to investigate wireless internet as an economic enterprise</i>		
<i>LED Capacity - enhance local economic development</i>		
<i>LED ISRDP - to improve IT governance</i>		
<i>LED Profiling - to assess LED projects and develop a database</i>		
<i>LG Seta - implementation of training as per the Work Place Skills plan</i>		
<i>Libraries - supporting the functioning of libraries in Local Municipalities</i>		
<i>Performance Management System - developing and improving the performance management system</i>		
<i>Public Work - Special Programme - maintenance of roads in the district</i>		
<i>Remuneration Of Cdw's - to support the community development programme</i>		
<i>Sinenjongo Sewing Project - feasibility study on a craft centre in Barkly East</i>		
<i>Subsidy Health - implementation of primary health services</i>		

DoRA Government Grants

Opening balance	6 569 521	(4 142 563)
Grants received	181 321 326	190 348 307
Operating conditions met	(101 788 454)	(84 645 381)
As previously reported		(83 245 984)
Correction of error restatement - Refer to note 22.13		(1 228 397)
Correction of error restatement - Refer to note 22.13		(171 000)
Capital conditions met	(94 480 020)	(94 990 842)
	(8 377 627)	6 569 521
Plus: Unpaid Grants	8 377 627	674 592
	-	7 244 113

DoRA Government Grants consists out of the following:

- Equitable share - *The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the Economic Entity by the National Treasury.*
- MIG - *To supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. Also to provide for new municipal infrastructure and rehabilitation and upgrading of existing ones*
- FMG - *To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act (MFMA)*
- MSIG - *To assist municipalities in building in-house capacity to perform their functions and stabilize institutional and governance systems as required in the Local Government: Municipal Systems Act.*

2010

2009

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	R	R
<u>Other Sources</u>		
Opening balance	(1 032 350)	-
Grants received	1 876 414	368 373
As previously reported		123 281
Correction of error restatement - Refer to note 22.04		245 092
Operating conditions met	(506 530)	(1 400 723)
As previously reported		(45 995)
Correction of error restatement - Refer to note 22.13		(1 400 723)
Correction of error restatement - Refer to note 22.13		45 995
Capital conditions met	(27 058)	-
	<u>310 476</u>	<u>(1 032 350)</u>
Plus: Unpaid Grants	-	1 032 350
	<u><u>310 476</u></u>	<u><u>-</u></u>

Other Sources consists out of the following:

Alphine Tourism - *to investigate oppertunities and impacts of tourism development in Senqu*
 DBSA Assistance - *water quality testing*
 DBSA Municipal Support and Development - *to improve inter-governmental relations*
 DBSA Municipal Support Framework - *to assess Local Municipalities' requirements for District Municipality support*

7 TAXES

VAT Receivable	6 177 374	5 296 730
Balance previously reported		5 690 817
Correction of error restatement - Refer note 22.14		(394 087)
	<u>6 177 374</u>	<u>5 296 730</u>

VAT is payable/receivable on the cash basis.

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 PROPERTY, PLANT AND EQUIPMENT
30 JUNE 2010

	Cost			Accumulated Depreciation			Carrying Value
	Opening Balance	Under Construction	Closing Balance	Opening Balance	Depreciation Charge	Closing Balance	
	R	R	R	R	R	R	R
Reconciliation of Carrying Value							
Land and Buildings	11 443 918	-	11 443 918	1 728 362	-	1 728 362	9 715 556
Land	917 840	-	917 840	-	-	-	917 840
Buildings	10 526 078	-	10 526 078	1 728 362	-	1 728 362	8 797 716
Infrastructure	281 552 590	6 155 869	364 048 104	6 754 857	3 880 867	10 635 724	353 412 380
Sewerage network	94 665 960	1 171 926	97 019 116	2 567 190	2 158 702	4 725 893	92 293 224
Water network	186 886 630	4 983 943	267 028 988	4 187 667	1 722 165	5 909 832	261 119 156
Lease Assets	274 854	-	274 854	265 517	-	265 517	9 337
Office Equipment	274 854	-	274 854	265 517	-	265 517	9 337
Other Assets	13 489 356	1 410 024	14 899 380	7 009 593	102	7 009 593	7 889 685
Office Equipment	731 506	1 410 024	2 141 530	446 666	102	446 768	1 694 762
Furniture & Fittings	2 345 886	-	2 345 886	1 731 427	-	1 731 427	614 459
Electrical Equipment	5 250 632	-	5 250 632	1 344 567	-	1 344 567	3 906 065
Motor vehicles	1 742 051	-	1 742 051	1 021 359	-	1 021 359	720 692
Mechanical Equipment	2 035 483	-	2 035 483	1 683 127	-	1 683 127	352 356
Computer equipment	546 800	-	546 800	42 403	-	42 403	504 397
Tools and Equipment	836 998	-	836 998	740 044	-	740 044	96 954
	306 760 718	7 565 893	390 666 256	15 758 330	3 880 969	19 639 197	371 026 957

The Municipality opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in February 2010. The municipality did not measure the Property, Plant and Equipment in accordance with the standard, including the following:

* Property, Plant and Equipment transferred as a result of the transfer of functions; and

The Municipality is currently in the process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

There are no assets fully depreciated which is still in use.

No assets were held for disposal or any temporary idle assets as on balance sheet date.

The leased property, plant and equipment and the buildings are secured as set out in note 3.

There are no impairment identified for Property, Plant and Equipment.

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

30 JUNE 2009

Reconciliation of Carrying Value

	Opening Balance			Additions			Cost			Under Construction			Closing Balance			Opening Balance			Accumulated Depreciation			Disposals			Closing Balance			Carrying Value			
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	
Land and Buildings	11 443 918	-	-	11 443 918	-	-	1 394 815	333 547	-	1 728 362	-	-	1 728 362	-	-	9 715 556	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 715 556
Land	917 840	-	-	917 840	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	917 840
Buildings	10 526 078	-	-	10 526 078	-	-	1 394 815	333 547	-	1 728 362	-	-	1 728 362	-	-	8 797 716	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8 797 716
Infrastructure	206 398 757	15 040 770	-	281 552 590	60 113 063	-	4 228 255	2 526 602	-	6 754 857	-	-	6 754 857	-	-	274 797 733	-	-	-	-	-	-	-	-	-	-	-	-	-	-	274 797 733
Sewerage network	77 746 437	7 439 829	-	94 665 960	9 479 694	-	1 452 526	1 114 664	-	2 567 190	-	-	2 567 190	-	-	92 098 770	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92 098 770
As previously reported	77 746 437	7 439 829	-	94 665 960	9 479 694	-	1 452 526	1 114 664	-	2 567 190	-	-	2 567 190	-	-	92 098 770	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92 098 770
Correction of error restatement - note 22.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water network	128 652 320	7 600 941	-	186 886 630	50 633 369	-	2 775 729	1 411 938	-	4 187 667	-	-	4 187 667	-	-	182 698 963	-	-	-	-	-	-	-	-	-	-	-	-	-	-	182 698 963
As previously reported	32 220 741	-	-	40 148 205	7 927 464	-	16 134 487	1 769 311	-	17 903 798	-	-	17 903 798	-	-	22 244 407	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22 244 407
Correction of error restatement - note 22.12	96 431 579	7 600 941	-	146 738 425	42 705 905	-	-13 358 758	-357 373	-	-13 716 131	-	-	-13 716 131	-	-	160 454 556	-	-	-	-	-	-	-	-	-	-	-	-	-	-	160 454 556
Lease Assets	274 854	-	-	274 854	-	-	210 546	54 971	-	265 517	-	-	265 517	-	-	9 337	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 337
Lease Assets	274 854	-	-	274 854	-	-	210 546	54 971	-	265 517	-	-	265 517	-	-	9 337	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 337
Other Assets	9 969 695	3 519 661	-	13 489 356	-	-	5 731 984	1 277 609	-	7 009 593	-	-	7 009 593	-	-	6 479 763	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 479 763
Office Equipment	453 825	277 681	-	731 506	-	-	399 161	47 504	-	446 666	-	-	446 666	-	-	284 840	-	-	-	-	-	-	-	-	-	-	-	-	-	-	284 840
Furniture & Fittings	2 251 178	94 708	-	2 345 886	-	-	1 429 152	302 275	-	1 731 427	-	-	1 731 427	-	-	614 459	-	-	-	-	-	-	-	-	-	-	-	-	-	-	614 459
Motor Vehicles	2 897 983	2 352 649	-	5 250 632	-	-	992 197	352 370	-	1 344 567	-	-	1 344 567	-	-	3 906 065	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 906 065
Fire Engines	1 742 051	-	-	1 742 051	-	-	690 395	330 963	-	1 021 359	-	-	1 021 359	-	-	720 692	-	-	-	-	-	-	-	-	-	-	-	-	-	-	720 692
Computer Equipment	1 751 660	283 823	-	2 035 483	-	-	1 515 217	167 910	-	1 683 127	-	-	1 683 127	-	-	352 356	-	-	-	-	-	-	-	-	-	-	-	-	-	-	352 356
Special Vehicles	36 000	510 800	-	546 800	-	-	12 364	30 039	-	42 403	-	-	42 403	-	-	504 397	-	-	-	-	-	-	-	-	-	-	-	-	-	-	504 397
Tools and Equipment	836 998	-	-	836 998	-	-	693 497	46 547	-	740 044	-	-	740 044	-	-	96 954	-	-	-	-	-	-	-	-	-	-	-	-	-	-	96 954
	228 087 224	18 560 431	-	306 760 718	60 113 063	-	11 565 600	4 192 729	-	15 758 330	-	-	15 758 330	-	-	291 002 388	-	-	-	-	-	-	-	-	-	-	-	-	-	-	291 002 388

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9	INTANGIBLE ASSETS	2010 R	2009 R
	Computer Software		
	Net Carrying amount at 1 July	-	428 865
	Cost	3 354 336	3 354 336
	Accumulated Amortisation	(3 354 336)	(2 925 471)
	Acquisitions	-	-
	Disposals	-	-
	Impairments	-	-
	Amortisation	-	(428 865)
	Net Carrying amount at 30 June	-	-
	Cost	3 354 336	3 354 336
	Accumulated Amortisation	(3 354 336)	(3 354 336)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2010 R	2009 R
Computer Software	0 years	-	-

No intangible asset were assessed having an indefinite useful life.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

At year end a contractual commitment to acquire SAMRAS software was entered into. The estimated costs are R1 229 099.

10	NON-CURRENT INVESTMENTS	2010 R	2009 R
	Financial Instruments		
	Fixed Deposits	623 785	598 663
	Total Non-Current Investments	623 785	598 663

Fixed Deposits are investments with a maturity period of more than 12 months and average interest rate of 9.70% per annum. (2009 - 11.45%)

The non-current investments serve as collateral security for staff housing loans and the DBSA loan

Investments are made in terms of the Economic Entity's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

Fixed deposits consist out of the following accounts

ABSA - Acc no 2005305817	- Collateral J.W. van der Merwe	30 876	28 644
ABSA - Acc no 2043706043	- Collateral A.R. Lee Jnr	32 365	30 259
ABSA - Acc no 2045267243	- Collateral R. Bawuti	12 938	12 000
ABSA - Acc no 2046041557	- Collateral D.J. Greyling	21 165	19 320
ABSA - Acc no 2047792430	- Collateral B.D. Patu	36 841	33 846
ABSA - Acc no 2048731623	- Collateral M.J. Buyeye	33 981	30 408
ABSA - Acc no 2049602807	- Collateral A.H. Kruger	15 300	15 300
ABSA - Acc no 2051346954	- Collateral P.C. Fourie	19 500	19 500
ABSA - Acc no 2053804936	- Collateral J.C.R. Jonk	36 021	32 320
ABSA - Acc no 2058380282	- Joe Gqabi District Municipality	20 783	19 474
ABSA - Acc no 7276130255	- Joe Gqabi District Municipality	24 354	17 932
ABSA - Acc no 660000135	- Building - DBSA Loan	339 660	339 660
		623 785	598 663

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11	INVENTORY	2010 R	2009 R
	Fuel – at cost	833 825	681 178
	As previously reported		522 999
	Correction of error restatement - Refer to note 22.08		158 179
	Stationery and materials - at cost	22 932	18 863
	Spare parts - at cost	291 990	95 388
	Total Inventory	1 148 747	795 429

In the current year a water service lease agreement was signed with the Local Municipalities. According to the agreement, the Local Municipalities take ownership for the delivery of water services. Accordingly all water stock as on 1 July 2009 was transferred to the Local Municipalities

Consumable stores materials losses/(surpluses) identified during stock counts.	(420 413)	67 511
Inventory recognised as an expense during the year	4 567 459	3 846 236

No inventory was pledged as security.

12 **OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Other receivables	1 009 146	36 823 648
As previously reported		44 765 979
Correction of error restatement - Refer to note 22.06		(7 942 331)
Fruitless- and Wasteful Expenditure	-	52 860
Irregular Expenditure	65 573	158 150
As previously reported		-
Correction of error restatement - Refer to note 22.11		158 150
Staff Debtors	2 178 094	1 685 000
As previously reported		1 762 076
Correction of error restatement - Refer to note 22.01		81 073
Correction of error restatement - Refer to note 22.11		(158 150)
Less: Allowance for Doubtful Debts	3 252 813 (3 003 216)	38 719 657 (7 661 159)
Total Net Receivables from Non-Exchange Transactions	249 598	31 058 499

Ageing of Receivables from Non-Exchange Transactions

(Other Receivables): Ageing

Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	1 009 146	36 823 648
Total	1 009 146	36 823 648

(Staff Debtors): Ageing

Current (0 - 30 days)	177 942	583 923
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	2 000 152	1 101 077
Total	2 178 094	1 685 000

(Irregular Expenditure): Ageing

Current (0 - 30 days)	-	158 150
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	65 573	-
Total	65 573	158 150

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

<u>Summary of Receivables by Customer Classification</u>	Other Receivables R	Staff Debtors R	Irregular Expenditure R	Total R
2010				
Total Receivables	1 009 146	2 178 094	65 573	3 252 813
Less: Provision for doubtful debts	(1 003 064)	(2 000 152)	-	(3 003 216)
Total Recoverable debtors by customer classification	6 083	177 942	65 573	249 598
2009				
Total Receivables	36 823 648	1 685 000	211 010	38 719 657
Less: Provision for doubtful debts	(6 753 736)	(907 422)	-	(7 661 158)
Total Recoverable debtors by customer classification	30 069 912	777 578	211 010	31 058 499

	Other Receivables R	Staff Debtors R	Irregular Expenditure R	Total R
<u>The ageing of amounts past due but not impaired:</u>				
2010				
1 month past due	-	-	-	-
2 + months past due	6 082.80	-	65 573	71 656
Total	6 083	-	65 573	71 656
2009				
1 month past due	-	-	-	-
2 + months past due	30 069 912	-	-	30 069 912
Total	30 069 912	-	-	30 069 912

All Non-Government debtors were either specifically impaired or subject to collective impairment.

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

Reconciliation of the Total Doubtful Debt Provision

Balance at beginning of the year	7 661 159	28 394 540
As previously stated		63 306 643
Correction of error restatement - Refer to note 22.05		(26 969 772)
Correction of error restatement - Refer to note 22.06		(7 942 331)
Contributions to provision	852 490	1 975 356
Doubtful debts written off against provision	(5 510 433)	-
As previously stated		(26 969 772)
Correction of error restatement - Refer to note 22.05		26 969 772
Reversal of provision	-	(22 708 737)
Balance at end of year	3 003 216	7 661 159

In determining the recoverability of a trade receivable, the Economic Entity considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

2010

2009

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13	CASH AND CASH EQUIVALENTS	R	R
	Assets		
	Call Investments Deposits	63 847 719	51 508 658
	Primary Bank Account	-	15 889 592
	Cash Floats	300	300
	Total Cash and Cash Equivalents - Assets	63 848 019	67 398 550
	Liabilities		
	Primary Bank Account	8 288 483	-
	Total Cash and Cash Equivalents - Liabilities	8 288 483	-

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding cheques forms part of the balances of Cash and Cash Equivalents.

Call Investments Deposits to an amount of R30 325 801 are held to fund the Unspent Conditional Grants (2009 - R45 556 660).

The Economic Entity has the following bank accounts:

Current Accounts

ABSA - account nr 23800000 19 (primary account)	(8 288 483)	15 889 592
	(8 288 483)	15 889 592
ABSA - account nr 23800000 19 (primary account)		
Cash book balance at beginning of year	15 889 592	(3 775 468)
Cash book balance at end of year	(8 288 483)	15 889 592
Bank statement balance at beginning of year	21 487 993	(2 293 458)
Bank statement balance at end of year	2 357 805	21 487 993

Call Investment Deposits

Call investment deposits consist out of the following accounts:

ABSA - Acc no 6024303924	- Capital Development Fund	-	2 146
ABSA - Acc no 9084169245	- MIG	12 342 346	4 857 869
ABSA - Acc no 9112771233	- Community Awareness Programme	2 535	2 525
ABSA - Acc no 9124338065	- Community Garden	-	53 479
ABSA - Acc no 5074349406	- DDC Training Fund	-	2 083
ABSA - Acc no 9115936822	- Department of Water Affairs Projects	98 327	94 406
ABSA - Acc no 9083793817	- Disaster Management	6 774 854	7 126 179
ABSA - Acc no 9112772433	- Disaster Management Plans	241 413	231 829
ABSA - Acc no 9112772920	- Disaster Management Policy Framework	-	143 277
ABSA - Acc no 9112771924	- Establishment of Centres	-	766 733
ABSA - Acc no 9112771233	- Establishment of Disaster Forums	-	79 530
ABSA - Acc no 9112767773	- Establishment of Fire & Emergency	-	3 359 342
ABSA - Acc no 9111164625	- Finance Management Grant	1 239 119	1 189 410
ABSA - Acc no 9185426744	- General Fund Operational Funds	9 882 051	1 488 965
ABSA - Acc no 9116802608	- Inter – Governmental Relations	1 680	1 679
ABSA - Acc no 9121911341	- Lake Gariep Development	-	147 895
ABSA - Acc no 9004351468	- Leave Provision Fund	-	17 114
ABSA - Acc no 9083794677	- Public Transport Facilities	-	152 235
ABSA - Acc no 9072226158	- Public Works Special Programme	1 313 387	30 830 608
ABSA - Acc no 9112770431	- Training of Volunteers	-	45 250
ABSA - Acc no 9122637071	- Wetlands Projects	1 599 989	670 697
ABSA - Acc no 4050457691	- Maclear TRC	46 050	45 223
FNB - Acc no 61161929886	- Structure Plan Herschel	207 793	200 186
FNB - Acc no 71239823802	- Ukhahlamba Investment	20 000 000	-
INVESTEC - Acc no 1100456077450	- Joe Gqabi Investment	10 098 175	-
		63 847 719	51 508 658

The cash which backs up the unspent grants is invested as individual investments or part of the general investments of the Economic Entity until it is utilised.

2010

2009

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14

GOVERNMENT GRANTS AND SUBSIDIES

	R	R
Unconditional Grants	99 052 126	80 694 407
Equitable Share	98 602 226	80 694 407
EPWP Programme	449 900	-
Conditional Grants	160 811 784	165 035 104
Aids Secretary Salaries	-	150 000
As previously reported		-
Prior year error correction - Refer to note 22.13		150 000
CMIP / MIG	96 484 292	96 219 239
As previously reported		94 990 842
Prior year error correction - Refer to note 22.13		1 228 397
DBSA Assistance	533 588	1 400 723
As previously reported		-
Prior year error correction - Refer to note 22.13		1 400 723
DBSA Municipal Support Framework	-	-
As previously reported		45 995
Prior year error correction - Refer to note 22.13		(45 995)
DDC Training	-	104 472
DEAET	-	5 600 000
As previously reported		5 207 018
Prior year error correction - Refer to note 22.13		392 982
Department Water Affairs	11 203 541	3 583 857
As previously reported		1 633 897
Prior year error correction - Refer to note 22.13		(1 633 896)
Prior year error correction - Refer to note 22.13		3 583 856
DGLTA Aliwal North WTP	121 337	2 578 326
Disaster Management Community Awareness	631 379	155 703
As previously reported		154 598
		1 105
Disaster Management Forum	-	11 496
Disaster Management Establishment of Centres	226	-
Disaster Management	-	-
As previously reported		82 256
Prior year error correction - Refer to note 22.13		(82 256)
Disaster Management Plan	-	657
Disaster Management Fire & Emergency Services	690 565	242 318
Disaster Management Rebuild Houses	954 652	1 562 862
Disaster Management Training of Volunteers	-	212 259
Drought Relief Elundini	2 065 029	-
Drought Relief Senqu	580 420	-
Ekephine Radio Research	-	28 959
As previously reported		-
Prior year error correction - Refer to note 22.13		28 959
Finance Management Grant	722 956	1 707 674
As previously reported		1 536 674
Prior year error correction - Refer to note 22.13		171 000
IDP	1 439 087	279 120
ISRDP Nodal Support	(930)	366 213
IT Implementation	36 130	402 691
As previously reported		353 238
Prior year error correction - Refer to note 22.13		49 453
LED Capacity	350 000	350 000
As previously reported		-
Prior year error correction - Refer to note 22.13		350 000
LED ISRDP	1 101 452	-
LED Profiling	4 300	573 862
LG Seta	179 387	189 592
Libraries	-	78 290
MSIG	459 000	1 014 902
Other Grants	-	2 683 027
Performance Management System	422 483	-
Prentjiesberg Housing	-	7 226 170
Public Work - Special Programme	27 850 873	23 333 380
	2010	2009
	R	R

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Sinenjongo Sewing Project	-	108 427
As previously reported		53 767
Prior year error correction - Refer to note 22.13		54 660
Subsidy Environmental Health	-	3 602 218
Subsidy Health	11 982 960	8 269 651
Subsidy SCDOH	-	826 965
Working for Water	-	-
As previously reported		15 715 714
Correction of error restatement - Refer to note 22.09		(15 715 714)
Working for Wetlands	2 999 057	2 172 051
As previously reported		2 026 306
Prior year error correction - Refer to note 22.13		145 745
Total Government Grants and Subsidies	259 863 910	245 729 511
Government Grants and Subsidies - Capital	94 507 078	96 219 239
Government Grants and Subsidies - Operating	165 356 831	149 510 272
	259 863 910	245 729 511

The Economic Entity does not expect any significant changes to the level of grants.

Refer to note 6 for description of each grant. (See Appendix "B" for a reconciliation of all grants).

14.1 Reconciliation per Municipal Vote

Executive & Council	15 387 508	18 391 899
Budget & Treasury	9 260 843	10 094 504
Corporate Services	3 895 505	4 229 459
Planning & Development	1 740 858	1 819 878
Health	16 546 072	16 183 363
Community & Social Services	10 718 106	17 472 741
Road Transport	28 300 772	23 333 380
Other	99 523 426	110 628 985
Waste Management	18 762 348	11 187 314
Water	55 728 472	32 387 990
	259 863 910	245 729 511

15 OTHER INCOME

Sundry Income	1 053 316	869 926
As previously reported		852 391
Correction of error restatement - Refer to note 22.04		104 500
Correction of error restatement - Refer to note 22.15		(86 965)
Plant Charges and Store Handling Fees	525 807	503 956
Surplus Cash	-	10
Total Other Income	1 579 123	1 373 892

16 EMPLOYEE RELATED COSTS

Bonuses	3 286 202	2 703 554
Contribution to non-current employee benefits - Long Service Awards - Note 3	436 193	339 584
Contribution to non-current employee benefits - Post Retirement Medical - Note 3	593 578	557 716
Employee related costs - Salaries and Wages	40 036 938	31 612 329
As previously reported		32 563 380
Correction of error restatement - Refer to note 22.01		30 042
Correction of error restatement - Refer to note 22.02		(89 279)
Correction of error restatement - Refer to note 22.09		(891 814)
Housing Benefits and Allowances	405 343	416 272
Overtime Payments	1 655 969	1 274 635
Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 3	195 632	203 394
Employee related costs - Contributions for UIF, Pensions and Medical Aids	8 914 793	7 168 037
Staff Leave	116 707	(131 072)
As previously reported		176 087
Correction of error restatement - Refer to note 22.03		(307 159)
Travel, Motor Car, Telephone, Subsistence and Other Allowances	7 234 577	5 443 810
Performance Bonuses	538 224	-
Total Employee Related Costs	63 414 155	49 588 259

2010
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JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

KEY MANAGEMENT PERSONNEL

Municipal Manager and all Section 57 Managers are appointed on a 5-year fixed contract.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	841 968	784 884
Performance Bonuses	182 634	-
Travel Allowance	112 200	112 200
Telephone allowance	18 000	18 000
Contributions to UIF, Medical and Pension Funds	142 889	119 989
Total	1 297 691	1 035 073

Remuneration of the Director Infrastructure and Technical Services

Annual Remuneration	646 566	564 126
Performance Bonuses	87 571	-
Travel Allowance	170 220	170 220
Telephone allowance	8 604	6 000
Contributions to UIF, Medical and Pension Funds	166 807	138 416
Total	1 079 768	878 762

Remuneration of the Director Corporate and Support Services

Annual Remuneration	724 034	675 941
Performance Bonuses	63 688	-
Travel Allowance	151 964	151 964
Telephone allowance	8 604	6 000
Contributions to UIF, Medical and Pension Funds	49 096	43 293
Total	997 386	877 198

Remuneration of the Director Financial Services

Annual Remuneration	678 850	659 946
Performance Bonuses	92 878	-
Travel Allowance	152 400	152 400
Telephone allowance	8 604	6 000
Contributions to UIF, Medical and Pension Funds	147 566	137 351
Total	1 080 298	955 697

Remuneration of the Director Community and Social Services

Annual Remuneration	848 508	672 714
Performance Bonuses	111 454	-
Travel Allowance	156 000	156 000
Telephone allowance	8 604	-
Contributions to UIF, Medical and Pension Funds	12 335	133 750
Total	1 136 901	962 464

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REMUNERATION OF COUNCILLORS

Mayor	539 121	514 135
Speaker	458 688	432 454
Executive Committee Members	1 597 778	1 502 884
Councillors	725 311	644 577
Councillors' Pension and Medical Aid Contributions	250 464	232 351
Total Councillors' Remuneration	3 571 362	3 326 401

In-kind Benefits

The Executive Mayor, Speaker and Executive Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Economic Entity. The Executive Mayor may utilise official Council transportation when engaged in official duties.

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DEBT IMPAIRMENT / (REVERSAL OF PROVISION FOR IMPAIRMENT)

Contributions to provision	852 490	1 975 356
Reversal of provision for impairment	-	(22 708 737)
Write-off of items never included in the Provision for Doubtful Debts as per note 12	-	-
As previously stated		(9 030 250)
Correction of error restatement - Refer to note 22.05		9 030 250
Total Contribution to Impairment Provision	852 490	(20 733 381)

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JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19 FINANCE CHARGES

Long-term Liabilities	889 921	892 937
As previously reported		877 324
Correction of error restatement - Refer to note 22.07		15 613
Finance leases	464	14 580
Non-current Employee Benefits	1 821 612	2 057 808
Total finance charges	2 711 997	2 965 325

20 GRANTS AND SUBSIDIES PAID

Local Municipalities	21 577 219	-
Total Grants and Subsidies	21 577 219	-

In the current year a water service lease agreement was signed with the Local Municipalities. According to the agreement, the Local Municipalities take ownership for the delivery of water services. A subsidy is payable to the Local Municipality based on the projected budget deficit for the water service delivery.

21 GENERAL EXPENSES

Audit Fees	2 747 762	4 054 606
Advertising Fees	466 080	356 145
Bank Charges	82 927	92 725
Computer Charges	1 787 406	729 657
Consulting Fees	1 410 300	2 303 381
Entertainment	149 219	120 750
Fuel Costs	140 122	134 558
Insurance	409 631	626 117
Legal Fees	196 507	436 456
Material and protective clothing	124 549	415 764
Marketing	1 033 860	-
Membership Fees	585 344	474 223
Postage	11 138	17 089
Pre-establishment costs	1 208 433	-
Printing and Stationary	599 592	576 601
Rentals	93 268	58 691
Security	360 533	392 199
Services	182 489	92 646
Special programmes	34 071 441	1 025 450
Telephone	1 020 818	1 024 839
Training	2 203 981	687 118
Travel and Subsistence	7 458 109	5 056 625
As previously reported		5 025 198
Correction of error restatement - Refer to 22.1		31 427
Water and Electricity	-	36 626
Other	3 267 745	1 473 596
General Expenses	59 611 250	20 185 861

Special programmes mainly consists of water carting for drought relief emergencies.

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22 CORRECTION OF ERROR IN TERMS OF GRAP 3

22.01 Overpayment of Section 57 Managers and Contract Workers incorrectly calculated

In the prior year it was noted that the Section 57 Managers and certain Contract Workers were overpaid since their contracts commenced. A staff debtor was accordingly raised. During the current year it was noted that the debt owed by the employees were incorrectly calculated and therefore staff debtors were overstated and accumulated surplus understated

Refer to Other Receivables from Exchange Transaction - note 12	81 073
Refer to Accumulated Surplus/(Deficit) - Opening Balance 1 July 2008 - note 22.16	(111 115)
Refer to Employee Related Costs - note 16	30 042

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JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22.02 Underpayment of Contract Workers incorrectly calculated

In the prior year it was noted that some Contract Workers were underpaid since their contracts commenced. A Sundry Creditor was accordingly raised. During the current year it was noted that the debt to these employees were incorrectly calculated and therefore Sundry Creditors were overstated and Accumulated Surplus understated.

Refer to Trade and Other Payables - note 5	164 636
Refer to Accumulated Surplus/(Deficit) - Opening Balance 1 July 2008 - note 22.16	(75 357)
Refer to Employee Related Costs - note 16	(89 279)

22.03 Provision for leave

In the current year an exercise was undertaken whereby the attendance register for the 2008/2009 year was reconciled to the leave register as on Payday. The result was that a number of leave days were not captured on Payday and therefore the Provision for Leave and the Staff Leave expense were overstated.

Refer to Current Employee Benefits - note 4	307 159
Refer to Employee Related Costs - note 16	(307 159)

22.04 Unknown Receipts

In the current year an exercise was undertaken to clear the Unknown Receipts account as on 30 June 2009. All of these unknown receipts related to prior years and is therefore an error in die prior year's financial statements

Refer to Other Income - note 15	(104 500)
Refer to Trade and Other Payables - note 5	957 000
Refer to Trade and Other Payables - note 5	892 592
Refer to Unspent Conditional Government Grants and Receipts - note 6	(1 745 092)

22.05 Write-off of receivables with debit and credit balances in the 2008/2009 year

In the prior year receivables with debit and credit balances were written off. These receivables were written off due to the fact that their existence could not be proven. Most of these receivables were provided for as Doubtful Debt at 1 July 2008. All of these receivables were raised prior to 1 July 2008 and therefore the write off should in actual fact have taken place prior to 1 July 2008 resulting that the Debt Impairment and Provision for Doubtful Debts were overstated while the Accumulated Surplus was understated.

Refer to Debt Impairment - note 18	9 030 250
Refer to Other Receivables from Exchange Transaction - note 12	-
Refer to Accumulated Surplus/(Deficit) - Opening Balance 1 July 2008 - note 22.16	(9 030 250)

22.06 Write-off of other receivables in the 2009/2010 year

In the current year receivables balances for Private Works and Department of Health were written off. These receivables were also written off due to the fact that their existence could not be proven. All of the receivables were fully provided for as Doubtful Debt at 1 July 2008. All of these receivables were raised prior to 1 July 2008 and therefore the write off should in actual fact have taken place prior to 1 July 2008 resulting that the Provision for Doubtful Debts and Other Debtors were overstated.

Refer to Other Receivables from Exchange Transaction - note 12	7 942 331
Refer to Other Receivables from Exchange Transaction - note 12	(7 942 331)

22.07 Finance charge not recognised

It was noted that interest relating to the 2008/2009 year on the DBSA loan (Senqu transfer) was not recognised as an expense in the prior year, resulting that Long term liabilities were overstated and Finance Charges understated.

Refer to Long Term Liabilities - note 2	(15 613)
Refer to Finance Charges - note 19	15 613

22.08 Incorrect allocation of accounts

It was noted that an accrual account (Stock - Goods Receive Voucher) was netted off to Inventory. This is incorrect since the accrual account should have been included in Trade and Other Payables.

Refer to Trade and Other Payables - note 5	(158 179)
Refer to Inventory - note 11	158 179

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NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22.09 Working for Water accounting treatment

In the prior year, the Working for Water programme was treated as a government grant. This treatment was incorrect, since the Working for Water programme is an essence an agency function. Government Grant Revenue, Government Grant Operating Expenditure and Employee Related Costs were overstated. Furthermore, Unspent Conditional Grants were overstated while Trade and Other Payables were understated.

Refer to Trade and Other Payables - note 5	(4 027 553)
Refer to <i>Other Operating Grant Expenditure</i> in the Statement of Financial Performance	(14 823 900)
Refer to Current Employee Benefits - note 4	(891 814)
Refer to Unspent Conditional Government Grants and Subsidies - note 6	5 482 927
Refer to Unspent Conditional Government Grants and Subsidies - note 6	14 260 340
Refer to Unspent Conditional Government Grants and Subsidies - note 6	(15 715 714)
Refer to Government Grants and Subsidies - note 14	15 715 714

22.10 Lease of Executive Mayoral's House

In the current year a lease agreement was signed, where after lease was retrospectively payable for the time the Executive Mayor occupied the house. The agreement also stated that subsistence would be payable to the Executive Mayor for the time she occupied the house. Therefore both Rental Income and Travel and Subsistence expenses were understated. A creditor was also raised due to the difference between the lease payments and subsistence claimed.

Refer to Trade and Other Payables - note 5	(5 944)
Refer to <i>Rental of Facilities and Equipment</i> in the Statement of Financial Performance	(27 066)
Refer to General expenses - note 21	31 427
Refer to Accumulated Surplus/(Deficit) - Opening Balance 1 July 2008 - note 22.16	1 583

22.11 Overpayment of Councillors not disclosed as Irregular Expenditure

In the prior year certain Councillors were overpaid in remuneration and accordingly a Staff Debtor was raised. According to section 102 of the MFMA these overpayments should have been regarded as Irregular Expenditure. It was not disclosed as Irregular Expenditure, but corrected in the current year.

Refer to Other Receivables from Exchange Transaction - note 12	158 150
Refer to Irregular Expenditure - note 28.3	(158 150)

22.12 Unbundling of Infrastructure assets

In the current year an extensive exercise was undertaken to identify all Infrastructure assets acquired by the Economic Entity since 1 July 2003. The useful lives of Infrastructure assets were also revaluated and restated where necessary. This exercise was indicative that Infrastructure assets and Accumulated Surplus/(Deficit) were understated, while Contracted Services were overstated.

Refer to Accumulated Surplus/(Deficit) - Opening Balance 1 July 2008 - note 22.16	(186 084 199)
Refer to <i>Contract Services</i> in the Statement of Financial Performance	(67 226 418)
Refer to <i>Depreciation and Amortisation</i> in the Statement of Financial Performance	757 291
Refer to Property, Plant and Equipment - note 8	
- Cost opening balance - 1 July 2008	174 178 016
- Additions for 2008/2009	15 040 770
- Under construction 2008/2009	52 185 599
- Accumulated depreciation - 1 July 2008	11 906 232
- Depreciation charge for 2008/2009	(757 291)

22.13 Unspent grants and Grant Income

The following errors were noted and corrected:

Grant income not recognised where conditions were met - refer to note 6 and 14

Aids Secretary Salaries	(150 000)
MIG	(1 228 397)
DBSA Assistance	(1 400 723)
Department of Water Affairs	(3 583 856)
Ekephine Radio Research	(28 959)
Finance Management Grant	(171 000)
IT Implementation	(49 453)
LED Capacity	(350 000)
Sinenjongo Sewing Project	(54 660)
Working for Wetlands	(145 745)

Grant income recognised where conditions were not met - refer to note 6 and 14

DBSA Municipal Support Framework	45 995
Disaster Management	82 256

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JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Misallocation of receipts between Working for Water and Department Water Affairs

Refer to Trade and Other Payables - note 5	2 174 688
Refer to Unspent Conditional Government Grants and Subsidies - note 6	(2 174 688)

Conditions met prior to 1 July 2008 - refer to note 6 and 14

Other grants	1 633 896
Refer to Accumulated Surplus/(Deficit) - Opening Balance 1 July 2008 - note 22.16	(1 633 896)

Change in Grant Income due to expenditure incorrectly captured - refer to note 6 and 14

DEAET	(392 982)
Disaster Management Community Awareness	(1 105)

22.14 VAT Errors

Input VAT was claimed on non-VAT invoices.

Refer to <i>Other Operating Grant Expenditure</i> in the Statement of Financial Performance Taxes - note 7	394 087
	(394 087)

22.15 Incorrect receipt allocation

In the prior year monies were received and captured to the RSC levy account. These monies were incorrectly deposited in the Economic Entity's bank account. In the current year the monies were repaid. Therefore, the Other Income was overstated and Unknown Receipts understated.

Refer to Other Income - note 15	86 964
Refer to Trade and Other Payables - note 5	(86 964)

22.16 Accumulated Surplus/(Deficit) - Opening balance 1 July 2008

Overpayment of Section 57 Managers and Contract Workers incorrectly calculated - note 22.01	(111 115)
Underpayment of Contract Workers incorrectly calculated - note 22.02	(75 357)
Write-off of receivables with debit and credit balances in the 2008/2009 year - note 22.05	(9 030 250)
Lease of Executive Mayoral's House - note 22.1	1 583
Unbundling of Infrastructure assets - note 22.12	(186 084 199)
Unspent Grants and Grant Income - note 22.13	(1 633 896)
Total	(196 933 233)

	2010 R	2009 R
23 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	32 424 482	96 198 038
Adjustments for:		
Depreciation	3 880 969	4 621 595
Contribution from/to employee benefits - non-current	3 047 015	3 158 502
Contribution from/to employee benefits - non-current - expenditure incurred	(1 021 519)	(1 138 442)
Contribution from/to employee benefits - non-current - actuarial gains	(283 939)	(925 840)
Contribution to employee benefits – current	2 259 845	1 507 502
Contribution to employee benefits – current - expenditure incurred	(2 267 450)	(1 769 463)
Contribution to employee benefits - TASK Job Evaluation provision	1 267 849	-
Contribution/(Reversal) to/of provisions – Doubtful Debt	852 490	(20 733 381)
Bad debts written off	(5 510 433)	-
Interest income	(3 950 461)	(6 155 312)
Interest expense	2 711 997	2 965 325
Operating Surplus/(Deficit) before changes in working capital	33 410 845	77 728 524
Changes in working capital	37 838 149	12 398 880
Increase/(Decrease) in Trade and Other Payables - restated 2009	24 522 346	(5 513 842)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts - restated 2009	(15 230 859)	11 624 002
(Increase)/Decrease in Taxes - restated 2009	(880 644)	(6 326 795)
(Increase)/Decrease in Inventory - restated 2009	(353 318)	46 146
(Increase)/Decrease in Other Receivables from non-exchange transactions - restated 2009	35 466 844	11 784 609
(Increase)/Decrease in Unpaid Government Grants and Receipts - restated 2009	(5 686 220)	784 761
Cash generated/(absorbed) by operations	71 248 994	90 127 404

	2010 R	2009 R
24 CASH AND CASH EQUIVALENTS		

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

Call Investments Deposits - Note 13	63 847 719	51 508 658
Cash Floats - Note 13	300	300
Bank - Note 13	(8 288 483)	15 889 592
Total cash and cash equivalents	55 559 535	67 398 550

25 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 24	55 559 535	67 398 550
Investments - Note 10	623 785	598 663
	56 183 320	67 997 212
Less:	30 325 801	45 556 660
Unspent Committed Conditional Grants - Note 6	30 325 801	45 556 660
Unspent Borrowings - Note 26	-	-
Net cash resources available for internal distribution	25 857 519	22 440 552

26 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	7 534 093	7 929 907
Used to finance property, plant and equipment - at cost	(7 534 093)	(7 929 907)
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10 % and 13.08 % and will be repaid by 2025.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

BUDGET COMPARISONS

27.1 Operational

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Government grants and subsidies	259 863 910	397 383 243	(137 519 333)	-34.61%	The grant amounts regarding ECDC contributions to Ugie Water Infrastructure and other not received during this year.
Fines	300	100 000	(99 700)	-99.70%	Distribution of fines charged not paid over to Joe Gqabi DM as budgeted.
Actuarial Gains	283 940	-	283 940	0.00%	No budgeted amount for actuarial gains were foreseen during budget process.
Rental of facilities and equipment	57 358	11 000	46 358	421.44%	New rental agreement entered into with regard to Council residence.
Interest earned-external investments	3 950 461	8 900 000	(4 949 539)	-55.61%	Interest rate and investment lower than anticipated.
Interest earned-outstanding debtors	-	214 739	(214 739)	-100.00%	No interest charged on outstanding debtors.
Stock adjustments	420 413	-	420 413	0.00%	Stock adjustment resulted in a favourable amount for this financial year.
Income from agency services	931 069	3 159 050	(2 227 981)	-70.53%	Working for Wetlands and Working for Water project agency fees are less than anticipated.
Other income	1 579 122	971 315	607 807	62.58%	Final RSC levies collected.
	267 086 574	410 739 347	(143 652 773)	-34.97%	
Expenditure by Nature					
Employee related costs	(63 414 155)	(59 679 634)	(3 734 521)	6.26%	Provision for negotiated TASK Job Evaluation.
Remuneration of Councillors	(3 571 362)	(3 746 144)	174 782	-4.67%	Small amount over budget.
Debt impairment	(852 490)	-	(852 490)	0.00%	Debt impairment not anticipated when adjustment budget were drafted.
Depreciation and Amortisation	(3 880 866)	(21 601 455)	17 720 589	-82.03%	The depreciation was on current value of assets and per registered.
Finance charges	(2 711 998)	(815 000)	(1 896 998)	232.76%	Interest on non-current employee benefits not included in budget amount.
Repairs and maintenance	(15 503 304)	(21 989 135)	6 485 831	-29.50%	Repairs and maintenance on new plant and equipment less than anticipated in budget.
Contracted services	(32 967 669)	(17 957 508)	(15 010 161)	83.59%	The contracted services of Roads not included in budgeted amount.
Grants and Subsidies paid	(22 863 135)	(22 856 788)	(6 347)	0.03%	The subsidies paid to LM's regarding Water Service Provision now reflected in this budget.
Operating Grant Expenditure	(30 571 676)	(103 223 401)	72 651 725	-70.38%	The ECDC grants towards Ugie Water Infrastructure not received and now expenditure. See revenue item.
General expenses	(58 331 472)	(25 039 462)	(33 292 010)	132.96%	General expenditure budget amounts now include for Water Carting.
	(234 668 126)	(276 908 527)	42 240 401	-15.25%	
Net surplus for the year	32 418 448	133 830 820	(101 412 372)	-75.78%	
					Explanation of Significant Variances greater than 10% versus Budget
Revenue by Source					
Government grants and subsidies	245 729 511	297 887 813	(52 158 302)	-17.51%	Budgeted for full grants revenue, but not all projects implemented.
Fines	5 350	150 000	(144 650)	-96.43%	Amount allocated to JGDM less than anticipated.
Reversal of provision of impairments	20 733 380	-	20 733 380	0.00%	Not budgeted for during budget process.
Actuarial Gains	925 839	-	925 839	0.00%	Not budgeted for during budget process.
Rental of facilities and equipment	33 408	10 000	23 408	234.08%	New rental agreement entered into with regard to Council residence
Interest earned-external investments	6 155 312	7 802 778	(1 647 466)	-21.11%	Over budgeted. Interest rate lower than anticipated.
Interest earned-outstanding debtors	24 734	25 000	(266)	-1.06%	Small variance.
Income from agency services	1 455 738	3 056 043	(1 600 305)	-52.37%	Working for Wetlands and Working for Water project agency fees are less than anticipated.
Other income	1 373 892	987 000	386 892	39.20%	Insurance claim received during the year.
	276 437 165	309 918 634	(33 481 469)	-10.80%	
Expenditure by Nature					
Employee related costs	(49 588 259)	(48 229 163)	(1 359 096)	2.82%	Small variance.
Remuneration of Councillors	(3 326 401)	(3 346 271)	19 870	-0.59%	Small variance.
Depreciation and Amortisation	(4 621 595)	(21 600 455)	16 978 860	-78.60%	The depreciation was done on current value of assets and per registered.
Finance charges	(2 965 325)	(815 000)	(2 150 325)	263.84%	Interest on non-current employee benefits not included in budget amount.
Repairs and maintenance	(10 626 360)	(29 535 887)	18 909 527	-64.02%	Repairs and maintenance on new plant and equipment less than anticipated in budget.
Contracted services	(42 903 628)	(37 557 124)	(5 346 504)	14.24%	Expenditure towards rural water schemes more as plants needed upgrading.
Operating Grant Expenditure	(46 021 698)	(73 975 601)	27 953 903	-37.79%	Total allocations not received.
General expenses	(20 185 861)	(21 103 821)	917 960	-4.35%	Small variance.
	(180 239 126)	(236 163 322)	55 924 196	-23.68%	
Net surplus for the year	96 198 038	73 755 312	22 442 726	-34.48%	

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

27.2 Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
2010					
Executive & Council	(10 894 524)	(12 940 608)	2 046 084	-15.81%	Not all projects realised during the year
Budget & Treasury	(7 863 543)	(11 888 221)	4 024 678	-33.85%	Savings realised on salaries
Corporate Services	(14 343 487)	(16 944 033)	2 600 546	-15.35%	Savings realised on salaries
Planning & Development	(1 696 739)	(3 659 244)	1 962 505	-53.63%	Savings realised on salaries
Health	(18 376 023)	(18 493 149)	117 126	-0.63%	Small variance.
Community & Social Services	(26 389 324)	(29 363 800)	2 974 476	-10.13%	Not all projects realised during the year
Road Transport	(28 953 999)	(29 828 878)	874 879	-2.93%	Small variance.
Other	(22 185 469)	(74 263 282)	52 077 813	-70.13%	Working for Water treated as an agency function
Waste Management	(26 030 590)	(16 825 270)	(9 205 320)	54.71%	Additional subsidies paid to Water Service Providers
Water	(77 934 427)	(62 702 043)	(15 232 384)	24.29%	Overexpenditure on water carting
	(234 668 126)	(276 908 528)	42 240 402	-15.25%	
2009					
Executive & Council	(9 848 217)	(8 529 653)	(1 318 564)	15.46%	Post Retirement benefits implemented
Budget & Treasury	(8 905 779)	(8 405 325)	(500 454)	5.95%	Small variance.
Corporate Services	(10 216 275)	(10 445 564)	229 289	-2.20%	Small variance.
Planning & Development	(1 688 338)	(1 645 023)	(43 315)	2.63%	Small variance.
Health	(17 750 875)	(18 789 564)	1 038 689	-5.53%	Small variance.
Community & Social Services	(25 689 912)	(45 375 894)	19 685 982	-43.38%	Savings realised on salaries and not all subsidies received.
Road Transport	(23 434 778)	(42 145 461)	18 710 683	-44.40%	Savings realised on salaries and total claims less than anticipated.
Other	(9 845 261)	(32 398 485)	22 553 224	-69.61%	Working for Water reinstated as an agency function.
Waste Management	(11 104 690)	(16 968 836)	5 864 146	-34.56%	Depreciation less than budgeted.
Water	(61 755 001)	(51 459 517)	(10 295 484)	20.01%	Repairs to rural plan more than anticipated.
	(180 239 126)	(236 163 322)	55 924 196	-23.68%	

27.3 Capital Expenditure by Vote

	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
2010					
Executive & Council	611 225	790 000	(178 775)	-22.63%	Furniture not purchased as no additional office space is available.
Budget & Treasury	163 123	193 000	(29 877)	-15.48%	Savings on printers purchased.
Corporate Services	287 307	460 000	(172 693)	-37.54%	Furniture not purchased as no additional office space is available.
Planning & Development	87 674	230 000	(142 326)	-61.88%	Savings on printers and laptops purchased.
Health	138 213	790 000	(651 787)	-82.50%	Clinic equipment not purchased.
Community & Social Services	69 344	17 207 314	(17 137 970)	-99.60%	Fire equipment not purchased as subsidy was not received.
Road Transport	-	250 000	(250 000)	-100.00%	Infrastructure of bridge not concluded.
Other	46 999	70 000	(23 001)	-32.86%	Furniture not purchased as no additional office space is available.
Waste Management	2 353 156	20 173 900	(17 820 744)	-88.34%	Not all projects concluded.
Water	80 142 358	93 486 100	(13 343 742)	-14.27%	Not all projects concluded.
	83 899 399	133 650 314	(49 750 915)	-37.22%	
2009					
Executive & Council	7 806	-	7 806	0.00%	Data projector not purchased.
Budget & Treasury	15 000	30 000	(15 000)	0.00%	Furniture not purchased as no additional office space is available.
Corporate Services	430 702	726 000	(295 298)	0.00%	Furniture not purchased as no additional office space is available.
Planning & Development	38 909	30 000	8 909	29.70%	Laptops more expensive than budgeted for
Health	1 239 088	2 948 500	(1 709 412)	-57.98%	Upgrading of building not completed
Community & Social Services	519 765	845 330	(325 565)	-38.51%	Fire vehicles specification resulted in savings
Road Transport	-	-	-	0.00%	
Waste Management	16 919 523	43 662 500	(26 742 977)	-61.25%	Not all projects concluded.
Water	59 502 701	40 403 882	19 098 819	47.27%	Most of commitments paid in current year, therefore 2009/2010 will be less.
	78 673 494	88 646 212	(9 972 718)	-11.25%	

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
28.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	88 646 812	102 689 310
Unauthorised expenditure current year - capital	-	-
Unauthorised expenditure current year - operating	24 437 705	75 742 720
Approved by Council or condoned	-	(89 785 218)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>113 084 517</u>	<u>88 646 812</u>

Correction of error adjustments made to the prior year balances resulted that the over expenditure is less than what was reported and condoned by Council in the prior year. Therefore no additional over expenditure of the prior year needs to be condoned by Council.

Incident	Disciplinary steps/criminal proceedings
Over expenditure on votes	None

28.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:		
Opening balance	4 976 670	4 976 670
Fruitless and wasteful expenditure current year	-	52 860
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	(52 860)
Fruitless and wasteful expenditure awaiting condonement	<u>4 976 670</u>	<u>4 976 670</u>

Incident	Disciplinary steps/criminal proceedings
None	None

28.3 Irregular expenditure

Reconciliation of irregular expenditure:		
Opening balance	-	-
Irregular expenditure current year	20 036 954	158 150
As previously reported		-
Correction of error restatement - Refer to note 22.11		158 150
Condoned or written off by Council	(20 036 954)	-
Transfer to receivables for recovery - not condoned	-	-
Transfer to receivables for recovery - condoned	-	(158 150)
Irregular expenditure awaiting condonement	<u>-</u>	<u>-</u>

Incident	Disciplinary steps/criminal proceedings
Overpayment of Councillor's remuneration	None
Non-compliance with Supply Chain Management regulations. Refer to note 29.7	None

29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

29.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	584 344	473 423
Amount paid - current year	(584 344)	(473 423)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

29.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year audit fee	3 059 459	4 444 625
External Audit - Auditor-General	2 747 762	4 054 606
Internal Audit	311 697	390 019
Amount paid - current year	(3 059 459)	(4 444 625)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
29.3 <u>VAT - [MFMA 125 (1)(b)]</u>		
Opening balance	5 296 731	11 623 525
Amounts received - current year	(27 021 620)	(40 591 249)
Amounts claimed - current year	27 902 263	34 264 455
Balance receivable/(payable)	6 177 374	5 296 731

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

29.4 <u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	8 988 041	6 928 907
Amount paid - current year	(8 988 041)	(6 928 907)
Balance unpaid (included in creditors)	-	-

29.5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	13 604 918	11 599 316
Amount paid - current year	(13 604 918)	(11 599 316)
Balance unpaid (included in creditors)	-	-

29.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The Economic Entity does not raise debtors accounts where Councillors are involved.

29.7 Quotations awarded - Supply Chain Management

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R1,000,000	More than R1,000,001
Suppliers appointed using Single Source bidding process	-	1 560 883	2 378 252	14 649 978
Circumstances where 3 quotes could not be obtained	9 690	163 305	-	-
Emergency measures - Drought relief carting of water	58 000	-	-	-
Tenders/quotes not advertised in papers, notice board or website	-	862 912	-	-
Tax invoices not conforming to VAT act 1991	353 934	-	-	-
	421 624	2 587 099	2 378 252	14 649 978

	2010 R	2009 R
30 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for:	115 321 064	33 990 771
Infrastructure	115 321 064	33 990 771
Total	115 321 064	33 990 771
This expenditure will be financed from:		
External Loans	-	-
Government Grants	115 321 064	33 990 771
	115 321 064	33 990 771

2010 2009

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

31

FINANCIAL RISK MANAGEMENT

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The activities of the Economic Entity expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Economic Entity's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Economic Entity's financial performance.

(a) Foreign Exchange Currency Risk

The Economic Entity does not engage in foreign currency transactions.

(b) Price risk

The Economic Entity is not exposed to price risk.

(c) Interest Rate Risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, non-current investments and loan payables. The Economic Entity is not exposed to interest rate risk on loan payables as the rates applicable are fixed interest rates.

The Economic Entity analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The Economic Entity did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

	2010 R	2009 R
0.5% (2009 - 0.5%) Increase in interest rates	322 358	336 993
0.5% (2009 - 0.5%) Decrease in interest rates	(322 358)	(336 993)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Economic Entity to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

No trade and other receivables are pledged as security for financial liabilities.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

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

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

Trade receivables and other receivables	3 252 813	38 719 657
Cash and Cash Equivalents	63 848 019	67 398 550
Unpaid conditional grants and subsidies	9 821 252	4 135 032
	<u>76 922 084</u>	<u>110 253 239</u>

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

JOE GQABI DISTRICT MUNICIPALITY

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
2010				
Long Term liabilities	1 202 523	4 528 859	9 367 443	15 098 825
Capital repayments	356 020	1 528 751	5 649 323	7 534 094
Interest	846 503	3 000 108	3 718 120	7 564 732
Trade and Other Payables	47 127 553	-	-	47 127 553
Unspent conditional government grants and receipts	30 325 801	-	-	30 325 801
Cash and cash equivalents	8 288 483	-	-	8 288 483
	<u>86 944 360</u>	<u>4 528 859</u>	<u>9 367 443</u>	<u>100 840 662</u>
2009				
Long Term liabilities	1 272 831	4 599 168	10 499 657	16 371 656
Capital repayments	380 578	1 438 898	6 095 055	7 914 531
Interest	892 253	3 160 270	4 404 602	8 457 125
Trade and Other Payables	22 605 207	-	-	22 605 207
Unspent conditional government grants and receipts	45 556 660	-	-	45 556 660
	<u>69 434 698</u>	<u>4 599 168</u>	<u>10 499 657</u>	<u>84 533 522</u>

32 FINANCIAL INSTRUMENTS

In accordance with IAS 39.09 the financial instruments of the Economic Entity are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

32.1	Financial Assets	Held to maturity investments R	Loans and receivables R	Total carrying amount R
2010				
	Non-Current Investments	623 785	-	623 785
	Other receivables from non-exchange transactions	-	249 598	249 598
	Unpaid Conditional Government Grants and Receipts	-	9 821 252	9 821 252
	Taxes	-	6 177 374	6 177 374
	Cash and Cash Equivalents	-	63 848 019	63 848 019
		<u>623 785</u>	<u>80 096 243</u>	<u>80 720 027</u>
2009				
	Non-Current Investments	598 663	-	598 663
	Other receivables from non-exchange transactions	-	31 058 499	31 058 499
	Unpaid Conditional Government Grants and Receipts	-	4 135 032	4 135 032
	Taxes	-	5 296 730	5 296 730
	Cash and Cash Equivalents	-	67 398 550	67 398 550
		<u>598 663</u>	<u>107 888 810</u>	<u>108 487 473</u>
32.2				
	Financial Liability		At amortised cost R	Total carrying amount R
2010				
	Long-term Liabilities		7 178 073	7 178 073
	Trade and other payables		22 605 207	22 605 207
	Unspent Conditional Grants and Receipts		30 325 801	30 325 801
	Current Portion of Long-term Liabilities		356 020	356 020
	Cash and Cash Equivalents		8 288 483	8 288 483
			<u>68 753 583</u>	<u>68 753 583</u>
2009				
	Long-term Liabilities		7 524 754	7 524 754
	Trade and other payables		47 127 553	47 127 553
	Unspent Conditional Grants and Receipts		45 556 660	45 556 660
	Current Portion of Long-term Liabilities		405 153	405 153
			<u>100 614 119</u>	<u>100 614 119</u>

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

33 EVENTS AFTER THE REPORTING DATE

The Economic Entity has no events after reporting date during the financial year ended 2009/2010.

34 IN-KIND DONATIONS AND ASSISTANCE

The Economic Entity did not receive any in-kind donations or assistance during the year under review.

35 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

36 CONTINGENT LIABILITY

Council have the following contingent liabilities at the end of the financial year 2009/2010:

Shortfall in annual earnings of Cape Joint Pension Fund

Since the fund's financial year end at 30 June 2009, its actuary had been investigating the investment return for the past financial year. It was reported that the established investment return was -0.94%. Local authorities, including the Economic Entity, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. The pro-rata portion owed by the Economic Entity was calculated at R626 740. The Economic Entity is in the process of disputing this amount, since it only has one employee who is a member of the fund and believes that the liability may not have been correctly calculated.

Performance bonuses of Municipal Manager and Section 57 Managers

At reporting date the performance bonus assessments for the 2008/2009 and 2009/2010 years have not been conducted yet. Because of the uncertainty whether any bonuses will be paid, the performance bonuses will be disclosed as a contingent liability. Based on the performance bonus assessment for the 2007/2008 year, it is estimated that the performance bonuses, if there were to be any, will amount to R619,890 (2008/2009) and R664,224 (2009/2010) respectively.

Outstanding litigation claims

A claim of R500 000 was filed against the Economic Entity by residence for poor water service delivery. Council is going to oppose the claim. No court date has not been set as on reporting date.

Employee benefits - bi-annual actuarial assessment

No formal actuarial valuation was performed in the current year, since there were no major restructuring in employee benefits. An actuarial assessment was obtained for the current year. Given that the economy is currently recovering from a recession, there were changes to assumptions used to calculate the discount rate, health care inflation rate and general salary inflation rate. The impact of these changes could result that the liability may be understated by an estimated to R2 004 797.

37 RELATED PARTIES

Key Management and Councillors do not receive services from the Economic Entity nor do they directly or indirectly render any services to the Economic Entity.

37.01 Related Party Loans

Since 1 July 2004 loans to Councillors and Senior Management Employees are not permitted.

Prior to the above mentioned date, a loan in respect of the former Municipal Manager was made. The loan is included in Other receivables from non-exchange transactions as per note 12. A provision for impairment is made, as it is not certain if the outstanding amount of R195 955 will be collected.

Refer to Irregular expenditure as per note 12 with regards to overpayment of certain Councillors remuneration in the prior year.

37.02 Compensation of key management personnel

The compensation of key management personnel is set out in note 16 to the Annual Financial Statements.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

38 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 3 - TRANSITIONAL PROVISIONS FOR HIGH CAPACITY MUNICIPALITIES

38.1 GRAP 17 - Property, Plant and Equipment

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in February 2010. The Economic Entity did not measure the Property, Plant and Equipment in accordance with the standard, including the following:

* Property, Plant and Equipment transferred as a result of the transfer of functions; and

The Economic Entity is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

37.2 GRAP 102 - Intangible Assets

The Economic Entity opted to take advantage of the transitional provisions as contained in Directive 3 of the Accounting Standards Board, issued in February 2010. The Economic Entity did not measure the Intangible Assets in accordance with the standard, including the following:

* Intangible assets transferred as a result of the transfer of functions; and
* Servitudes.

The Economic Entity is currently in the process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

**APPENDIX A - Unaudited
ECONOMIC ENTITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2009	Correction	Balance at 30 JUNE 2009 Restated	Received during the period	Redeemed during the period	Balance at 30 JUNE 2010
ANNUITY LOANS				R	R	R	R	R	R
DBSA - Building (R7.4m)	11.53%	100878	6 monthly	6 920 236	-	6 920 236	-	175 798	6 744 438
DBSA - Sanitation (R1.4m)	10.00%	9980	6 monthly	808 284	-	808 284	-	84 588	723 696
DBSA - Sanitation (Senqu transfer)	13.08%	12175	6 monthly	170 398	15 613	186 010	-	120 052	65 958
Total Annuity Loans				7 898 918	15 613	7 914 531	-	380 438	7 534 093
LEASE LIABILITY									
Office Equipment - ITEC Finance				15 376	-	15 376	-	15 376	-
Total Lease Liabilities				15 376	-	15 376	-	15 376	-
TOTAL EXTERNAL LOANS				7 914 294	15 613	7 929 907	-	395 814	7 534 093

**APPENDIX B - Unaudited
ECONOMIC ENTITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2009		Correction of error	Restated balance 1 JULY 2009		Contributions during the year		Operating Expenditure transferred during the year to Revenue		Capital Expenditure transferred to Revenue		Balance 30 JUNE 2010	Unspent 30 JUNE 2010		Unpaid 30 JUNE 2010 (Debtor)
	R	R		R	R	R	R	R	R	R	R		R	R	
Aids Secretary Salaries	150 000		(150 000)										310 476		(8 006 078)
Alpine Tourism				7 244 114			310 476								
CMIP / MIG	8 472 511		(1 228 397)	(1 032 350)		81 234 100	1 565 938	2 004 272		94 480 020					
DBSA Assistance								506 530		27 058					
DBSA Municipal Support and Development	123 281		(123 281)												
DBSA Municipal Support Framework	(45 995)														
DDC Training	(3 445)														
DEAET	392 982		(392 982)												
Department Water Affairs	(194 688)		90 832	(103 856)		13 497 620		11 203 541					2 190 223		
DGLTA Alwal North WTP	(1 371 152)			(1 371 152)		1 492 489		121 337							(624 537)
Disaster Management Community Awareness	94 989		(88 147)	6 842				631 379							
Disaster Management Forum	87 268			87 268		79 800		226					167 068		
Disaster Management Establishment of Centres	1 781 035		3 668 964	5 449 999									5 449 773		
Disaster Management	(188 844)		169 298	(19 546)											(19 546)
Disaster Management Plan	1 499 343			1 499 343									1 499 343		
Disaster Management Fire & Emergency Services	6 468 327		(5 264 653)	1 203 674		1 191 500		690 565					1 704 609		
Disaster Management Policy Framework	384 789			384 789									384 789		
Disaster Management Rebuild Houses	(832 151)		1 781 036	948 885				954 652							(5 767)
Disaster Management Training of Volun	185 347		(185 347)												
Drought Relief Eluridini	2 066 534			2 066 534				2 065 029					1 505		
Drought Relief Senqu	580 992			580 992				580 420					572		
Eluridini Community Hall & Road	223 392			223 392									223 392		
Ekephine Radio Research			(28 959)	(28 959)											
EPWP Programme						28 959		449 900							
Equitable Share						449 900		98 602 226							
Finance Management Grant	(223 690)		(171 000)	(394 690)		750 000		722 956							(367 646)
Gariep Implement Lake	1 999 741			1 999 741									1 999 741		
IDP	909 880			909 880									221 140		
ISRD Nodal Support	558 757			558 757		750 347		1 439 087					559 687		
IT Implementation	(1 638)			(51 091)				(930)							
LED Capacity	350 000		(49 453)	300 000		87 221		36 130							
LED ISRD	300 000		(350 000)			1 045 000		350 000							
LED Profiling	(793 778)			(793 778)				1 101 452					243 548		
LG Seta	27 049		(3 445)	23 604		82 593		4 300							
Libraries	(78 290)			(78 290)		282 944		179 387					127 161		
MSIG	(279 902)			(279 902)											(715 485)
Performance Management System						735 000		459 000							
Public Work - Special Programme	15 309 622			15 309 622		550 000		422 483					127 517		
Remuneration Of Cdw's	796 497			796 497		20 929 711		27 850 872					8 388 461		
Shenjongolo Sewing Project	24 737		(54 660)	(29 923)									796 497		
Subsidy Health						29 923									
Working for Wetlands	6 156 978		(145 745)	6 011 233		11 982 960		2 999 057					5 930 299		
Total	44 930 478		(3 508 849)	41 421 629		238 946 630		165 356 831		94 507 078		20 504 550	30 325 801		(9 821 251)

APPENDIX B - Unaudited
ECONOMIC ENTITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
