# O.R. TAMBO DISTRICT MUNICIPALITY

Consolidated Financial Statements
for the year ended 30 June 2010

Issued 30 September 2010

## General Information

**Legal form of entity** Municipality

| **Mayoral committee** | | **Date of commencement** | **Date of resignation** |
|---|---|---|---|
| Executive Mayor | Mrs R.Z. Capa | 22 March 2006 | |
| Speaker | Ms N. Madalane | 22 March 2006 | |
| Council chief whip | Mr Z.Mzamane | 22 March 2006 | |
| Members | MMC L.S. Nduku | 22 March 2006 | |
| | MMC E.N. Diko | 22 March 2006 | |
| | MMC Z.Ndlumbini | 22 March 2006 | |
| | MMC N. Meth | 10 September 2008 | |
| | MMC N. Tobo | 22 March 2006 | |
| | MMC M.Makhedama | 22 March 2006 | |
| | MMC P.Ndamase | 14 December 2006 | 18 January 2010 |
| | MMC N.Malunga | 22 March 2006 | |
| | MMC J.P. Mdingi | 22 March 2006 | |
| | MMC D.J. Myolwa | 22 March 2006 | |
| | MMC M.N. Mabandla | 22 March 2006 | 15 January 2009 |

**Grading of local authority** 4

**Accounting Officer** Mr A.M.M.Ncube (Acting Municipal Manager)

**Chief Finance Officer (CFO)** M.E. Moleko

## General Information

**The Municipal Council (outside Mayoral Committee)**

| | Date of commencement | Date of resignation |
|---|---|---|
| Betele S. | 22 March 2006 | |
| Dambuza M.B. | 22 March 2006 | |
| Diniso M. | 22 March 2006 | |
| Dudumayo B. | 22 March 2006 | |
| Gexu N. | 22 March 2006 | |
| Gwadiso J.P. | 22 March 2006 | 21 July 2010 |
| Hlabiso L. | 22 March 2006 | |
| Jwacu N. | 22 March 2006 | |
| Khonza N. | 22 March 2006 | |
| Luvela T. | 22 March 2006 | |
| Madubedube G.N. | 5 May 2009 | |
| Mhlanga M. (Deceased) | 22 March 2006 | 6 May 2009 |
| Mamve N. | 22 March 2006 | |
| Mandita K. | 22 March 2006 | |
| Mantanga P.N. | 22 March 2006 | |
| Marini K. | 22 March 2006 | |
| Matomane R.N. | 22 March 2006 | |
| Mayekiso M.A. | 22 March 2006 | 30 April 2010 |
| Mbelu N. | 31 March 2009 | |
| Mngoma N. | 22 March 2006 | |
| Moyakhe N.S. | 22 March 2006 | |
| Mpathane X. | 29 May 2009 | |
| Mtshegu A. | 22 March 2006 | |
| Mvanyashe M.N. | 22 March 2006 | |
| Mzobotshe S. (Deceased) | 22 March 2006 | 30 June 2010 |
| Mashiyi T. | 22 March 2006 | 31 March 2010 |
| Ndabeni M. | 22 March 2006 | |
| Ndabeni S. | 22 March 2006 | |
| Ndabeni P. | 22 March 2006 | 29 May 2009 |
| Njemla S.N. | 22 March 2006 | 5 May 2009 |
| Njomi L.A. | 22 March 2006 | 27 January 2009 |
| Songca S. | 22 March 2006 | 29 May 2009 |
| Ndlobongela B. | 22 March 2006 | |
| Ndude L.M. | 22 March 2006 | |
| Nkosiyane N.L. | 5 May 2009 | |
| Nyengane S. | 5 May 2009 | |
| Qhosha B. | 22 March 2006 | |
| Qhuba W.S. | 22 March 2006 | |
| Sigcau N.E. | 22 March 2006 | |

## General Information

| | | | |
|---|---|---|---|
| | Sigcau T.T. | 22 March 2006 | |
| | Soldati N. | 22 March 2006 | |
| | Sotshangane S.M. | 22 March 2006 | |
| | Stoyile M. | 23 March 2006 | 5 May 2009 |
| | Tayi H.S. | 22 March 2006 | |
| | Thiyeka N. | 22 March 2006 | |
| | Tshiceka N. | 22 March 2006 | |
| | Tshobonga N. | 22 March 2006 | |
| | Tshotsho M. | 22 March 2006 | |
| | Tsipa K.W. | 22 March 2006 | |
| | Tshota L.M. | 5 May 2009 | |
| | Wade B.J. | 22 March 2006 | |
| | Yalo Z. | 22 March 2006 | |

| | |
|---|---|
| **Registered office** | O.R. Tambo House<br>Nelson Mandela Drive<br>Myezo drive<br>Umtata |
| **Business address** | Nelson Mandela Drive<br>Myezo Park<br>Mthatha<br>5099 |
| **Postal address** | P/Bag X 6043<br>Mthatha<br>5099 |
| **Auditors** | Office of the Auditor General |
| **Telephone number:** | (047) 501 6400 |
| **Fax number:** | (047) 532 4166 |
| **E-mail address:** | mm@ortambodm.org.za |

## General Information

### Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 - 94, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 48 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officers Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

**Acting Municipal Manager: A.M.M. Ncube**
**Date: 30 September 2010**

# Index

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

**Contents** **Page**



**Abbreviations**

| | |
|---|---|
| SA GAAP | South African Statements of Generally Accepted Accounting Practice |
| GRAP | Generally Recognised Accounting Practice |
| GAMAP | Generally Accepted Municipal Accounting Practice |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |

## Statement of Financial Position

| | | Economic entity | | Municipality | |
|---|---|---|---|---|---|
| Figures in Rand | Note | 2010 | 2009 | 2010 | 2009 |
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Inventories | 8 | 11 840 314 | 17 532 672 | 11 774 893 | 17 460 348 |
| Operating lease asset | | 65 733 | - | - | - |
| VAT receivable | 10 | 15 594 349 | 4 409 388 | 12 441 566 | 3 132 325 |
| Consumer debtors | 11 | 14 811 451 | 7 046 217 | 14 810 462 | 7 046 217 |
| Other receivables | 12 | 1 686 079 | 1 302 323 | 1 332 856 | 1 302 323 |
| Conditional grants and receipts | 15 | 7 499 640 | - | 7 499 640 | - |
| Cash and cash equivalents | 13 | 79 144 917 | 89 682 296 | 64 977 393 | 72 630 558 |
| | | **130 642 483** | **119 972 896** | **112 836 810** | **101 571 771** |
| **Non-Current Assets** | | | | | |
| Biological assets | 4 | 11 155 170 | 11 871 034 | 9 677 770 | 9 582 733 |
| Investment property | 5 | 2 200 000 | 2 100 000 | 2 200 000 | 2 100 000 |
| Property, infrastructure and equipment | 6 | 3 494 939 731 | 3 273 084 144 | 3 484 920 808 | 3 267 306 996 |
| Intangible assets | 7 | 3 982 416 | 5 983 054 | 3 784 461 | 5 907 142 |
| | | **3 512 277 317** | **3 293 038 232** | **3 500 583 039** | **3 284 896 871** |
| **Total Assets** | | **3 642 919 800** | **3 413 011 128** | **3 613 419 849** | **3 386 468 642** |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Finance lease obligation | 14 | 399 939 | 305 327 | 285 881 | 97 778 |
| Trade and other payables from exchange transactions | 17 | 243 554 318 | 138 618 019 | 234 497 454 | 128 980 145 |
| VAT payable | 18 | - | 363 816 | - | - |
| Consumer deposits | 19 | 184 297 | 2 100 | 184 297 | 2 100 |
| Conditional grants and receipts | 15 | 5 647 111 | 59 179 754 | - | 59 179 754 |
| Provisions | 16 | 72 887 | 99 539 | - | - |
| Bank overdraft | 13 | 39 | 435 793 | - | 222 |
| | | **249 858 591** | **199 004 348** | **234 967 632** | **188 259 999** |
| **Non-Current Liabilities** | | | | | |
| Finance lease obligation | 14 | 991 512 | 185 972 | 991 512 | 53 668 |
| **Total Liabilities** | | **250 850 103** | **199 190 320** | **235 959 144** | **188 313 667** |
| **Net Assets** | | **3 392 069 697** | **3 213 820 808** | **3 377 460 705** | **3 198 154 975** |
| **Net Assets** | | | | | |
| Reserves | | | | | |
| Revaluation reserve | | 68 329 926 | 61 862 593 | 68 329 926 | 61 862 593 |
| Accumulated surplus | | 3 323 739 771 | 3 151 958 215 | 3 309 130 779 | 3 136 292 382 |
| **Total Net Assets** | | **3 392 069 697** | **3 213 820 808** | **3 377 460 705** | **3 198 154 975** |

# O.R.TAMBO DISTRICT MUNICIPALITY
Consolidated Financial Statements for the year ended 30 June 2010

## Statement of Financial Performance

| | | Economic entity | | Municipality | |
|---|---|---|---|---|---|
| Figures in Rand | Note(s) | 2010 | 2009 | 2010 | 2009 |
| **Revenue from exchange transactions** | | | | | |
| Service charges | 20 | 88 971 927 | 56 299 990 | 88 971 927 | 56 299 990 |
| | | 88 971 927 | 56 299 990 | 88 971 927 | 56 299 990 |
| **Revenue from non-exchange transactions** | | | | | |
| Government grants & subsidies | 21 | 910 576 817 | 851 904 027 | 911 841 727 | 851 904 027 |
| Public contributions and donations | 22 | 200 000 | 1 600 000 | 200 000 | 1 600 000 |
| | | 910 776 817 | 853 504 027 | 912 041 727 | 853 504 027 |
| Rental income | | 249 941 | 777 876 | 20 866 | 86 729 |
| Other income | 23 | 84 727 750 | 71 261 419 | 65 825 301 | 58 049 103 |
| Interest received - external investments | 24 | 8 971 322 | 12 931 335 | 8 373 489 | 11 850 165 |
| Interest received - outstanding receivables | 24 | 13 837 247 | 3 613 434 | 13 554 135 | 3 347 479 |
| **Total income** | | **1 107 535 004** | **998 388 081** | **1 088 787 445** | **983 137 493** |
| **Expenditure** | | | | | |
| Personnel | 26 | (157 826 664) | (130 936 697) | (136 061 258) | (115 023 527) |
| Remuneration of councillors | 27 | (7 647 044) | (7 387 193) | (7 647 044) | (7 387 193) |
| Depreciation and amortisation | 29 | (138 700 597) | (132 341 371) | (137 304 419) | (127 534 816) |
| Impairment loss | 30 | (919 119) | (16 419 725) | (589 848) | (16 419 725) |
| Finance costs | 32 | (699 871) | (117 735) | (447 997) | (18 967) |
| Impairment of receivables | 11 | (40 907 888) | (70 643 698) | (40 729 832) | (70 084 391) |
| Repairs and maintenance | | (22 727 110) | (25 718 520) | (22 251 830) | (25 556 594) |
| Bulk purchases | 34 | (43 796 106) | (23 318 010) | (43 796 106) | (23 318 010) |
| Contracted services | 35 | (6 030 562) | (3 352 057) | (5 955 301) | (3 345 244) |
| Grants and subsidies paid | 36 | (17 457 348) | (11 684 717) | (82 629 342) | (72 020 128) |
| General expenses | 25 | (558 687 026) | (569 794 500) | (504 396 240) | (523 244 903) |
| **Total Expenditure** | | **(995 399 335)** | **(991 714 223)** | **(981 809 217)** | **(983 953 498)** |
| Loss on disposal of property, infrastructure and equipment | | 72 823 | (313) | - | - |
| Fair value adjustments | 28 | 1 288 184 | (371 385) | 1 288 184 | (246 109) |
| (Loss)/gain on sale of assets | 31 | (2 188 762) | 1 310 678 | (1 081 823) | 1 266 055 |
| **Surplus for the year** | | **111 307 914** | **7 612 838** | **107 184 589** | **203 941** |

## Statement of Changes in Net Assets

| Figures in Rand | Note | Revaluation reserve | Accumulated surplus | Total net assets |
|---|---|---|---|---|
| **Economic entity** | | | | |
| **Balance at 01 July 2008** | | **-** | **3 144 345 377** | **3 144 345 377** |
| Changes in net assets | | | | |
| Revaluation: Land and buildings | | 61 862 593 | - | 61 862 593 |
| Net income recognised directly in net assets | | 61 862 593 | - | 61 862 593 |
| Surplus for the period | | - | 7 612 838 | 7 612 838 |
| Total recognised income and expenses for the period | | 61 862 593 | 7 612 838 | 69 475 431 |
| Total changes | | 61 862 593 | 7 612 838 | 69 475 431 |
| Opening balance as previously reported | | 61 862 593 | 3 151 958 215 | 3 213 820 808 |
| Adjustments | | | | |
| Correction of prior period error | 42 | - | 60 473 642 | 60 473 642 |
| **Balance at 01 July 2009 as restated** | | **61 862 593** | **3 212 431 857** | **3 274 294 450** |
| Changes in net assets | | | | |
| Revaluation: Land and buildings | | 6 467 333 | - | 6 467 333 |
| Net income recognised directly in net assets | | 6 467 333 | - | 6 467 333 |
| Surplus for the period | | - | 111 307 914 | 111 307 914 |
| Total recognised income and expenses for the period | | 6 467 333 | 111 307 914 | 117 775 247 |
| Total changes | | 6 467 333 | 111 307 914 | 117 775 247 |
| **Balance at 30 June 2010** | | **68 329 926** | **3 323 739 771** | **3 392 069 697** |

## Statement of Changes in Net Assets

| Figures in Rand | Note | Revaluation reserve | Accumulated surplus | Total net assets |
|---|---|---|---|---|
| **Municipality** | | | | |
| Opening balance as previously reported | | - | 3 103 796 844 | 3 103 796 844 |
| Adjustments | | | | |
| Reclassification of government grant reserve (Note 41) | | - | 34 291 598 | 34 291 598 |
| **Balance at 01 July 2008 as restated** | | **-** | **3 136 088 441** | **3 136 088 441** |
| Changes in net assets | | | | |
| Surplus on revaluation of property, infrastructure and equipment | | 61 862 593 | - | 61 862 593 |
| Net income recognised directly in net assets | | 61 862 593 | - | 61 862 593 |
| Surplus for the period | | - | 203 941 | 203 941 |
| Total recognised income and expenses for the period | | 61 862 593 | 203 941 | 62 066 534 |
| Total changes | | 61 862 593 | 203 941 | 62 066 534 |
| Opening balance as previously reported | | 61 862 593 | 3 136 292 383 | 3 198 154 976 |
| Adjustments | | | | |
| Correction of prior period error | 42 | - | 65 653 807 | 65 653 807 |
| **Balance at 01 July 2009 as restated** | | **61 862 593** | **3 201 946 190** | **3 263 808 783** |
| Changes in net assets | | | | |
| Surplus on revaluation of property, infrastructure and equipment | | 6 467 333 | - | 6 467 333 |
| Net income recognised directly in net assets | | 6 467 333 | - | 6 467 333 |
| Surplus for the period | | - | 107 184 589 | 107 184 589 |
| Total recognised income and expenses for the year | | 6 467 333 | 107 184 589 | 113 651 922 |
| Total changes | | 6 467 333 | 107 184 589 | 113 651 922 |
| **Balance at 30 June 2010** | | **68 329 926** | **3 309 130 779** | **3 377 460 705** |

# Cash flow statement

| | | Economic entity | | Municipality | |
|---|---|---|---|---|---|
| Figures in Rand | Note(s) | 2010 | 2009 | 2010 | 2009 |
| **Cash flows from operating activities** | | | | | |
| **Receipts** | | | | | |
| Sale of goods and services | | 61 653 636 | 33 387 455 | 53 577 182 | 33 387 455 |
| Grants | | 911 841 727 | 782 048 962 | 911 841 727 | 782 048 962 |
| Interest income received | | 8 959 572 | 12 931 335 | 8 361 739 | 11 850 165 |
| Other receipts | | 80 394 729 | 72 551 673 | 79 637 281 | 70 498 375 |
| | | 1 062 861 408 | 900 919 425 | 1 053 417 729 | 897 784 957 |
| **Payments** | | | | | |
| Employee costs | | (163 787 463) | (138 323 890) | (143 299 713) | (122 410 721) |
| Suppliers | | (629 015 660) | (545 623 618) | (639 068 486) | (570 914 073) |
| Finance costs | | (679 534) | (117 735) | (447 998) | (37 938) |
| **Cash flows from operating activities** | | (793 482 657) | (684 065 243) | (782 816 197) | (693 362 732) |
| Finance income | | - | 16 544 770 | - | 15 197 648 |
| **Net cash flows from operating activities** | 37 | **269 378 751** | **233 398 952** | **270 601 732** | **219 619 873** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, infrastructure and equipment | 6 | (279 749 483) | (250 389 018) | (278 900 527) | (243 585 997) |
| Proceeds from sale of property, | 6 | - | 197 392 | - | - |
| Proceeds from insurance infrastructure and equipment | 23 | 11 750 | - | 11 750 | - |
| Purchase of other intangible assets | 7 | (396 172) | (5 440 478) | (275 549) | (5 341 441) |
| Purchase of biological assets | 4 | (690 725) | (1 736 082) | (168 325) | (781 170) |
| Proceeds from sale of biological assets | 4 | 1 081 823 | 2 010 290 | 1 081 823 | 2 010 290 |
| Proceeds long term receivables | | - | 73 366 | - | 73 366 |
| Transfer from calves (weaned) | | - | (1 009 722) | - | (1 009 722) |
| Decrease due to natural death of biological assets | | - | 1 110 488 | - | 1 056 088 |
| Proceeds on disposal of fixed assets | | 225 549 | | | |
| Donation biological assets | | - | - | 51 246 | - |
| **Net cash flows from investing activities** | | **(279 529 009)** | **(255 183 764)** | **(278 211 332)** | **(247 578 586)** |
| **Cash flows from financing activities** | | | | | |
| Finance lease borrowings/(payments) | | (55 093) | (243 328) | (55 093) | (60 745) |
| Loans raised/ (repaid) | | (114 506) | | | |
| Other grants received | | 227 069 | | | |
| **Net decrease in cash and cash equivalents** | | **(10 092 788)** | **(22 028 140)** | **(7 652 943)** | **(28 019 458)** |
| Cash and cash equivalents at the beginning of the year | | 89 246 503 | 111 274 643 | 72 630 336 | 100 649 794 |
| **Cash and cash equivalents at the end of the year** | 13 | **79 144 878** | **89 246 503** | **64 977 393** | **72 630 336** |

# Accounting Policies

## 1. Presentation of consolidated financial statements

O.R. Tambo District Municipality ("the municipality") is a local government institution in Mthatha in the Eastern Cape. The address of its registered office, principal place of business and its principal activities are disclosed under "General Information" in the annual report.

## 2. Presentation of consolidated financial statements

### 2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The consolidated financial statements were authorised for issue on 30 September 2010.

### 2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- biological assets are measured at fair value less costs to sell;
- investment property is measured at fair value.

Accounting policies for material transactions, events or conditions not covered by the Standards of GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 *Accounting policies, changes in accounting estimates and errors*. These accounting policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP), including any interpretations of such statements issued by the Accounting Practices Board.

The following significant accounting policies have been applied consistently during the current and previous reporting period, except for the change in accounting policies as set out in note 3.

### 2.3 Going concern assumption

The consolidated and separate financial statements have been prepared on a going concern basis.

### 2.4 Functional and presentation currency

These consolidated financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

### 2.5 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the economic entity has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

### 2.6 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that

**2.6 Use of estimates and judgements (continued)**

are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements as well as assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included below.

**Accounting estimates and judgements**

Key sources of estimation uncertainty

**Impairment of trade and other receivables**

The impairment of the economic entity's trade and other receivables is based on incurred losses in accordance with the requirements of IAS 39. The historical loss experience of the economic entity, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

**Allowance for slow moving, damaged and obsolete stock**

Management has made estimates of the selling price and direct cost to sell of certain inventory items to calculate the allowance to write stock down to the lower of cost or net realisable value.

**Fair value estimation**

Buildings and farm land are stated at revalued amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated. Refer to note 6.

**Biological asset valuations**

The fair value less estimated point of sale costs used to value biological assets in note 4 required management to make certain assumptions which are subject to change. Quoted prices were available. In instances where a quoted price is not available, valuation techniques are applied which included the estimation of future cash flows and the selection of an applicable discount rate. The actual fair value may therefore differ from that presented.

**Critical judgements in applying accounting policies**

**Depreciation and the carrying value of items of property, infrastructure and equipment**

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, infrastructure and equipment will have an impact on the carrying value of these items.

**Determination of the recoverable amount of cash-generating assets**

Where impairment indicators exist, the determination of the recoverable amount of assets or cash generating units require management to make assumptions to determine the fair value less costs to sell. Key assumptions on which management has based its determination of fair values less costs to sell include projected revenues, earnings multiple,

# Accounting Policies

**Accounting estimates and judgements (continued)**

capital expenditure and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of the impairment.

**Determination of the recoverable service amount of non-cash generating assets**

Where impairment indicators exist, the determination of the recoverable service amount of a non-cash generating asset requires management to make assumptions to determine the fair value less costs to sell and the value in use based on the depreciated replacement cost model. Key assumptions include the current replacement cost of non-cash generating assets and in certain instances an assumption about the commissioning date which determines the depreciated replacement cost of the non-cash generating asset.

## 2.7 Investments in controlled entities

**Economic entity consolidated financial statements**

The economic entity consolidated financial statements include those of the controlling entity and its controlled entities. The revenue and expenses of the controlled entities are included from the effective date of acquisition.

On acquisition the economic entity recognises the controlled entity's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

**Municipality annual financial statements**

In the municipality's separate consolidated financial statements, investments in controlled entities are carried at cost..

## 2.8 Property, infrastructure and equipment

**Initial recognition and measurement**

Items of property, infrastructure and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for farm land and buildings which is measured at revalued amounts, being the fair value at the date of revaluation less any accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

**Constructed assets**

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs (see note 2.2).

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

**Farm land**

Farm land is initially recognised at cost and subsequently measured at revalued amounts. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined

**2.8 Property, infrastructure and equipment (continued)**

using fair value at the end of the reporting period.

When an item of property, infrastructure and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

The revaluation surplus relating to a specific item of property, infrastructure and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

**Subsequent cost**

The cost of replacing a part of an item of property, infrastructure and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits or service potential associated with the item will flow to the economic entity and the cost or fair value of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, infrastructure and equipment are recognised in surplus or deficit as incurred.

**Depreciation**

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value.

Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 *Non-current assets held for sale and discontinued operations*. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each part of an item of property, infrastructure and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Heritage assets and land are not depreciated.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The useful lives for the current and previous financial year are as follows:

| **Item** | **Estimated useful life** |
| --- | --- |
| Land and buildings | |
| • Farm land | Not depreciated |
| • Other land | Not depreciated |
| • Buildings | 30 - 40 years |
| Infrastructure assets | |
| • Roads | 3 - 67 years |
| • Water | 5 - 15 years |
| • Sewerage | 15 - 50 years |
| • Storm water drains | 5 - 100 years |
| Other assets | |
| • Office equipment | 3 - 7 years |
| • Furniture and fittings | 7 years |
| • Motor vehicles | 5 - 7 years |
| • Security systems | 5 - 7 years |

## Accounting Policies

### 2.8 Property, infrastructure and equipment (continued)

| | |
|---|---|
| • Parking area | 5 years |
| • Park homes | 15 years |
| • Plant and equipment | 7 - 12 years |
| • Tools and equipment | 10 years |
| • Emergency equipment | 15 years |
| • Computer equipment | 3 - 7 years |
| Leased | |
| • Office equipment | 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

**Spare parts**

Major spare parts and servicing equipment qualify as property, infrastructure 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, infrastructure and equipment, they are accounted for as property, infrastructure and equipment.

**Derecognition**

An item of property, infrastructure and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use or disposal.

Gains and losses on disposal of an item of property, infrastructure and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, infrastructure and equipment, and are recognised net within other revenue in surplus or deficit.

**Leased assets**

Leases in terms of which the economic entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

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

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

# Accounting Policies

## 2.9 Heritage assets

**Recognition and initial measurement**

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as "inalienable items" meaning that assets which are retained indefinitely by the economic entity and cannot be disposed of without consent as required by law or otherwise.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

**Subsequent measurement**

**Cost model**

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

**Depreciation**

Heritage assets are not depreciated. The economic entity assesses at each reporting date whether there is any indication that a heritage asset may be impaired.

**Derecognition**

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

## 2.10 Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit when incurred.

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

Intangible assets that are acquired by the economic entity and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

# Accounting Policies

**2.10 Intangible assets (continued)**

**Subsequent expenditure**

Expenditure on an Intangible assets shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. All other expenditure, including expenditure on internally generated goodwill and customer lists, is recognised in surplus or deficit as incurred.

### Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

| Item | Useful life |
|---|---|
| Computer software | 3 years |
| Ward based database | 3 years |

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## 2.11 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of business.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes and is therefore not investment property.

Property leased at less than commercial rates to achieve service delivery is held in production of services and is therefore not investment property.

Investment property is initially recognised at cost and subsequently measured at fair value. Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

The fair value of investment properties is determined at the reporting date by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuations are based on the value of similar properties in the market.

### Fair value

Investment property is subsequently measured at fair value with any change therein recognised in surplus or deficit .

When the use of a property changes such that it is reclassified as property, infrastructure and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use

# Accounting Policies

### 2.11 Investment property (continued)

and no future economic benefits or service potential are expected from its disposal.

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

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 2.12 Biological assets

Biological assets are measured at their fair value less point-of-sale costs. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

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

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

The fair value of the tree plantations is based on the market value of tree plantations of a similar age and fruit-bearing capacity.

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

### 2.13 Financial instruments

**Classification**

The economic entity classifies financial instruments , or their component parts, on initial recognition as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement.

***Non-derivative financial assets***

The economic entity initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the economic entity becomes a party to the contractual provisions of the instrument.

The economic entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the economic entity is recognised as a separate asset or liability.

The economic entity has the following classes and categories of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

| Class of financial asset | IAS 39 category |
|---|---|
| Trade and other receivables from exchange transactions (consumer debtors) | Loans and receivables |
| Cash and cash equivalents | Loans and receivables |

# Accounting Policies

**2.13 Financial instruments (continued)**

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment losses.

Interest is levied on past due consumer debtors at a market related rate.

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments 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. Bank overdrafts that are repayable on demand and form an integral part of the economic entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

***Non-derivative financial liabilities***

The economic entity initially recognises financial liabilities, including liabilities designated at fair value through surplus or deficit, on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The economic entity derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Where 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

The economic entity has the following classes of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

- Trade and other payables from exchange transactions
- Bank overdraft
- Consumer deposits

The above financial liabilities form part of the "other financial liabilities carried at amortised cost" category per IAS 39 and are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

**Cash and cash equivalents**

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

**Bank overdraft and borrowings**

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

# Accounting Policies

**2.14 Inventories**

**Cost**

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is determined using the first-in-first-out principle except where stated otherwise.

The cost of agricultural produce harvested from biological assets is initially measured at fair value less estimated point of sale costs.

**Subsequent measurement**

Consumable stores and maintenance materials are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

Redundant and slow-moving inventories are identified and written down to net realisable value.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**Water inventory**

Water inventory consist of:

- Raw water (raw materials);
- Water in purification process (work in progress); and
- Clean water (Finished goods).

The cost of water inventory includes the cost of buying water, cost incurred in maintaining that water as well as the cost of chemicals and labour used to maintain and clean the water to its usable state. Cost of water inventory is determined on a first-in-first-out basis.

Water inventory is initially measured at cost. Where inventory is acquired at no cost, cost is deemed to be their fair value as at the date of acquisition.

Water inventory is only recognised once the economic entity can demonstrate that it controls the water, it is probable that future economic benefits or service potential will flow to the economic entity and the cost can be measured reliably. Control over water commences once it enters the purification process, or the O.R. Tambo infrastructure.

The water levels in reservoir are based on cubic meter capacity taking into account the capacity of the reservoir, based on land surveying reports and the curve of the reservoir.

Readings of water levels are taken at year-end, which is quantified at the above fair value.

### 2.14 Inventories (continued)

Water and purified effluent are measured at the lowest of purified cost and net realisable value in so far as it is stored and controlled in reservoirs at year-end.

#### Biological inventory

Cost is equal to fair value at date of harvest.

### 2.15 Impairment

#### Financial assets

A financial asset, carried at amortised cost, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the economic entity on terms that the economic entity would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

The economic entity considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the economic entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

#### Non-financial assets Cash

#### generating assets

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

The carrying amounts of the economic entity's cash generating non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually.

### 2.15 Impairment (continued)

If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of impairment testing, assets are therefore grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit.

Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, infrastructure and equipment.

Impairment losses recognised in respect of cash-generating units are allocated on a pro rata basis to reduce the carrying amounts of the other assets in the unit. The allocation of impairment losses to assets in a cash generating unit may not reduce the carrying amount of such assets below the highest of its fair value less costs to sell, value in use and zero.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of its recoverable amount the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued item of property, infrastructure and equipment is treated as a revaluation increase.

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

**Non-cash-generating assets**

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

The carrying amounts of the economic entity’s non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset’s fair value less costs to sell and its value in use.

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

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

# Accounting Policies

### 2.15 Impairment (continued)

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount. Impairment losses are recognised in surplus or deficit.

Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, infrastructure and equipment.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable service amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Any reversal of an impairment loss of a revalued item of property, infrastructure and equipment is treated as a revaluation increase where appropriate.

### 2.16 Revenue

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, donations and grants from other spheres of government.

**Revenue from exchange transactions**

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the economic entity and these benefits or service potential can be measured reliably, except when specifically stated otherwise. Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

**Services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

# Accounting Policies

**Revenue from exchange transactions (continued)**

Service charges

Service charges relating to distribution of electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period. Estimates of consumption between meter readings are based on average consumption for the preceding three months.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

**Interest**

Interest earned and rentals received

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

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

**Tariff charges**

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

**Revenue from non-exchange transactions**

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

**Donations and contributions**

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the economic entity, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, infrastructure and equipment, the fair value of the property, infrastructure and equipment received or receivable.

**Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure**

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.

**Unconditional grants and receipts**

# Accounting Policies

**Revenue from non-exchange transactions (continued)**

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the economic entity the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

**Conditional grants and receipts**

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the economic entity the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

**Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the economic entity and the fair value of the assets can be measured reliably.

**Services in-kind**

Services in-kind are not recognised.

## 2.17 Provisions

A provision is recognised if, as a result of a past event, the economic entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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

**Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the economic entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

**Reimbursements**

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the economic entity

## Accounting Policies

### 2.17 Provisions (continued)

settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

**Restructurings**

A provision for restructuring is recognised when the economic entity has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

### 2.18 Employee benefits Short-

**term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

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

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the economic entity expects to pay in exchange for that service and had accumulated at the reporting date.

**Defined contribution plans**

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

The economic entity's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds.

### 2.19 Leases

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

**Finance leases - economic entity as lessee**

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

# Accounting Policies

### 2.19 Leases (continued)

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

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

Subsequent to initial recognition, the asset is account for in accordance with the accounting policy applicable to that asset.

Assets leased under operating leases, except for property interests held by the economic entity as investment property, are not recognised in the statement of financial position.

**Operating leases - economic entity as lessee**

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

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

**Operating leases - economic entity as lessor**

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

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

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

### 2.20 Borrowing costs

Borrowing costs are capitalised in respect of qualifying assets that necessarily take a substantial period to get ready for their intended use.

If the carrying amount of the qualifying asset exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised for the excess amount.

Borrowing costs that are not capitalised are recognised as an expense in surplus or deficit.

### 2.21 Donations and grants in aid

The economic entity transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the economic entity does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

# Accounting Policies

### 2.21 Donations and grants in aid (continued)

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

### 2.22 Tax

**Value added tax (VAT)**

The municipality accounts for VAT on the cash basis. The economic entity is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The economic entity accounts for VAT on a monthly basis.

### 2.23 Unauthorised expenditure

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

### 2.24 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) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the economic entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular 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. If the expenditure is not condoned by the relevant authority, it is treated as a receivable until it is recovered or written off as irrecoverable.

### 2.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as a receivable in the statement of financial position until such expenditure is recovered or written off as irrecoverable.

### 2.26 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in note 43.

### 2.27 Revaluation reserve

**The following reserves have been included in the accumulated surplus of the**

**municipality: Revaluation reserve**

The surplus arising from the revaluation of property, infrastructure and equipment is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus or deficit while gains or losses on disposal, based on revalued amounts, are recognised in the statement of financial performance.

# Accounting Policies

### 2.28 Finance income and expenses

Finance income comprises interest income on funds invested in call accounts, positive bank balances as well as interest charged on debtors outstanding more than 30 days. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Finance expenses comprise interest expense on bank overdrafts and finance lease liabilities, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

### 2.29 Consolidation

**Basis of consolidation**

**Consolidation of controlled entities**

Consolidated consolidated financial statements are the consolidated financial statements of the economic entity presented as those of a single entity.

The consolidated consolidated financial statements of the economic entity incorporate the consolidated financial statements of the municipality which is the controlling entity, and all its controlled entities. Controlled entities are entities, including an unincorporated entity such as a partnership controlled by the controlling entity. Controlled entities include municipal controlled entities and special purpose entities.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account.

The results of controlled entities, are included in the consolidated consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases.

An investment in an entity is accounted for in accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such.

The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as cost on initial measurement of a financial asset.

The consolidated financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated consolidated financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional consolidated financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the consolidated financial statements of a controlled entity used in the preparation of consolidated consolidated financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

**Special purpose entities**

The economic entity has established a special purpose entities ("SPE") for trading and investment purposes. The

# Accounting Policies

**2.29 Consolidation (continued)**

economic entity does not have any direct or indirect shareholdings in this entitys. The SPE is consolidated if, based on an evaluation of the substance of its relationship with the economic entity and the SPE’s risks and rewards, the economic entity concludes that it controls the SPE.

The SPE controlled by the economic entity was established under terms that impose strict limitations on the decision making powers of the SPEs management and that result in the economic entity receiving the majority of the benefits related to the SPE's operations and net assets, being exposed to risks incident in the SPE's activities and retaining the majority of the residual ownership risks.

### 3. New standards and interpretations

#### 3.1 Standards issued and not yet effective

The following standards expected to be applicable to the economic entity have been issued, but are not yet effective:

The GRAP standards below will be applied by the economic entity from the effective date determined by the Minister of Finance. The effective dates are currently unknown. International Financial Reporting Standards will be applied from the effective date of the Standard as indicated below.

**IFRS 7: Financial Instruments: Disclosures - Amendments to disclosures**

IFRS 7 is amended to add an explicit statement that the qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments.

The existing disclosure requirements of IFRS 7 are amended as follows:

- IFRS 7 is amended to state that clarification that disclosure of the amount that best represents an entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already.
- Additional requirement to disclose the financial effect of collateral held as security and other credit enhancements in respect of a financial instrument. An example of such disclosure is quantification of the extent to which credit risk is mitigated by the collateral and other credit enhancements obtained. This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral.
- IFRS 7 is amended to state that clarification that disclosure in respect of collateral taken possession off by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from IFRS 7:

- Disclosure of the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated.
- Disclosure of a the description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

Additionally, the clause stating that quantitative disclosures are not required when a risk is not material has been removed from IFRS 7. The general materiality considerations continue to apply to all disclosures required by IFRS 7 in the same way as they apply to other IFRSs.

The amended is effective for annual periods beginning on or after 1 January 2011.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2012.

## Notes to the Consolidated Financial Statements

**3. New standards and interpretations (continued)**

**Anticipated impact on annual financial statements**

The amendments will mainly impact the municipality's qualitative disclosures with regards to financial instruments. There will be no impact of the figures reported by the municipality. GRAP 104 will supersede these amendments as it will replace the disclosure requirements for financial instruments.

**GRAP 18: Segment Reporting**

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

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

**Anticipated impact on financial statements**

This standard will not impact the amounts recognised in the financial statements.

Additional disclosure is however required, which includes segment revenue and expenses as well as the carrying amount of segment assets and liabilities.

**GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)**

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

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

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

**Anticipated impact on annual financial statements**

GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9.

For conditional grants, a liability will generally only be recognised if situations that meet the definition of a condition exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those conditions (based on enforceable right), while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised.

# Notes to the Consolidated Financial Statements

**3. New standards and interpretations (continued)**

**GRAP 24: Presentation of Budget Information**

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

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

Where the economic entity prepares its budget and consolidated financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary consolidated financial statements.

Where the budget and consolidated financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the consolidated financial statements adjusted to be comparable to the budget.

**Anticipated impact on annual financial statements**

Additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the consolidated financial statements and will only result in additional detail being disclosed in relation to the budget.

**GRAP 103: Heritage Assets**

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

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

A heritage asset is recognised as an asset only if:

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

Heritage assets are recognised at cost unless they are acquired through a non-exchange transaction, in which case they are recognised at their fair value as at the date of acquisition.

The economic entity has a choice between the cost and revaluation model as an accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at their cost or revalued amount less accumulated impairment. These assets are not depreciated.

**Anticipated impact on annual financial statements**

The existing heritage assets of the economic entity are accounted for in accordance with the accounting policy on

**3. New standards and interpretations (continued)**

heritage assets. Refer to note 2.9 . This policy is in line with the principles listed above. The future adoption of GRAP 103 is therefore not expected to have a significant impact.

**GRAP 21: Impairment of non-cash-generating assets**

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

**Anticipated impact on the annual financial statements**

No material impact is expected. The requirements of GRAP 21 are similar to the requirements of IAS 36 *Impairment of assets* and IPSAS 21 *Impairment of non cash-generating assets* applied by the municipality during the current financial year. The economic entity's current accounting policy is also aligned with the principles listed above.

**GRAP 26: Impairment of cash-generating assets**

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

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

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset. When estimating the value in use of an asset, a economic entity should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a economic entity should apply the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

Anticipated impact on the annual financial statements

No material impact. Requirements of GRAP 26 are similar to the requirements of IAS 36 *Impairment of assets* applied by the economic entity during the current financial year.

## Notes to the Consolidated Financial Statements

### 3. New standards and interpretations

**(continued) GRAP 25: Employee benefits**

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the economic entity to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an economic entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

The standard also includes detailed requirements to be applied in the accounting for:

- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits

**Anticipated impact on the annual financial statements**

Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the current financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes as the economic entity does not have any defined benefit plans.

**GRAP 104: Financial Instruments**

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one entity and a financial liability or residual interest in another entity. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguishes between those financial instruments carried at fair value and those at amortised cost.

**Anticipated impact on the annual financial statements**

The economic entity does not have any financial instruments currently measured at fair value, and the application of GRAP 104 is therefore not expected to result in any significant reclassifications. No significant changes are expected to presentation and disclosure.

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 4. Biological assets

| Economic entity | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Valuation | Accumulated depreciation | Carrying value | Valuation | Accumulated depreciation | Carrying value |
| Trees | 5 940 000 | - | 5 940 000 | 4 950 000 | - | 4 950 000 |
| Cows | 2 174 409 | - | 2 174 409 | 4 617 938 | - | 4 617 938 |
| Bulls | 617 624 | - | 617 624 | 55 488 | - | 55 488 |
| Calves | 328 450 | - | 328 450 | 329 901 | - | 329 901 |
| Heifers | 1 584 359 | - | 1 584 359 | 1 036 464 | - | 1 036 464 |
| Steers | 457 450 | - | 457 450 | 617 692 | - | 617 692 |
| Sheep | 52 878 | - | 52 878 | 153 190 | - | 153 190 |
| Goats | - | - | - | 110 361 | - | 110 361 |
| **Total** | **11 155 170** | **-** | **11 155 170** | **11 871 034** | **-** | **11 871 034** |

| Municipality | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Valuation | Accumulated depreciation | Carrying value | Valuation | Accumulated depreciation | Carrying value |
| Trees | 5 940 000 | - | 5 940 000 | 4 950 000 | - | 4 950 000 |
| Cows | 1 561 187 | - | 1 561 187 | 2 677 092 | - | 2 677 092 |
| Bulls | 191 424 | - | 191 424 | 189 985 | - | 189 985 |
| Calves | 257 450 | - | 257 450 | 111 500 | - | 111 500 |
| Heifers | 1 349 759 | - | 1 349 759 | 1 036 464 | - | 1 036 464 |
| Steers | 377 950 | - | 377 950 | 617 692 | - | 617 692 |
| **Total** | **9 677 770** | **-** | **9 677 770** | **9 582 733** | **-** | **9 582 733** |

### 4. Biological assets (continued)

**Reconciliation of biological assets - Economic entity - 2010**

| | Opening balance | Additions | Additions through births | Decreases due to harvest / sales | Decreases due to deaths | Decreases due to donations | Transfers | Gains arising from changes in fair value | Losses arising from changes in fair value | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Trees | 4 950 000 | - | - | - | - | - | - | 990 000 | - | 5 940 000 |
| Cows | 4 617 938 | (318 900) | - | (256 302) | (275 450) | (51 247) | 160 146 | - | (1 701 776) | 2 174 409 |
| Bulls | 55 488 | 426 200 | - | - | (19 997) | - | - | - | 155 933 | 617 624 |
| Calves | 329 901 | 71 000 | 108 600 | - | (8 500) | - | (503 031) | 561 481 | (231 001) | 328 450 |
| Heifers | 1 036 464 | 234 600 | - | - | (7 027) | - | 10 540 | 309 782 | - | 1 584 359 |
| Steers | 617 692 | 79 500 | - | (825 521) | (13 428) | - | 332 345 | 266 862 | - | 457 450 |
| Sheep | 153 190 | 30 000 | - | - | (5 000) | - | - | - | (125 312) | 52 878 |
| Goats | 110 361 | - | - | - | - | (110 361) | - | - | - | - |
| | **11 871 034** | **522 400** | **108 600** | **(1 081 823)** | **(329 402)** | **(161 608)** | **-** | **2 128 125** | **(1 902 156)** | **11 155 170** |

## Notes to the Consolidated Financial Statements

Figures in Rand

### 4. Biological assets (continued)

**Reconciliation of biological assets - Economic entity - 2009**

| | Opening balance | Additions | Decreases due to harvest / sales | Decreases due to deaths | Transfers | Gains arising from changes in fair value | Losses arising from changes in fair value | Total |
|---|---|---|---|---|---|---|---|---|
| Trees | 4 950 000 | - | - | - | - | - | - | 4 950 000 |
| Cows | 3 874 792 | 663 612 | (264 934) | (258 145) | - | 602 613 | - | 4 617 938 |
| Bulls | 216 667 | - | (8 333) | (50 000) | - | 31 651 | (134 497) | 55 488 |
| Calves | 494 917 | 823 570 | - | (33 676) | (708 801) | - | (246 109) | 329 901 |
| Heifers | 43 750 | 175 000 | - | (17 500) | 732 083 | 103 131 | - | 1 036 464 |
| Steers | 486 958 | - | (470 969) | (26 165) | 277 640 | 350 228 | - | 617 692 |
| Sheep | 142 350 | 24 000 | - | (12 600) | - | - | (560) | 153 190 |
| Goats | 54 280 | 49 900 | - | (3 600) | - | 9 781 | - | 110 361 |
| | **10 263 714** | **1 736 082** | **(744 236)** | **(401 686)** | **300 922** | **1 097 404** | **(381 166)** | **11 871 034** |

## Notes to the Consolidated Financial Statements

Figures in Rand

### 4. Biological assets (continued)

**Reconciliation of biological assets - Muncipality - 2010**

| | Opening balance | Additions | Decreases due to harvest / sales | Decreases due to deaths | Decrease due to donations | Transfers | Gains arising from changes in fair value | Losses arising from changes in fair value | Total |
|---|---|---|---|---|---|---|---|---|---|
| Trees | 4 950 000 | - | - | - | - | - | 990 000 | - | 5 940 000 |
| Cows | 2 677 092 | - | (256 302) | (275 450) | (51 247) | 160 146 | - | (693 052) | 1 561 187 |
| Bulls | 189 985 | 168 325 | - | (19 997) | - | - | - | (146 889) | 191 424 |
| Calves | 111 500 | 96 000 | - | (8 500) | - | (503 031) | 561 481 | - | 257 450 |
| Heifers | 1 036 464 | - | - | (7 027) | - | 10 540 | 309 782 | - | 1 349 759 |
| Steers | 617 692 | - | (825 521) | (13 428) | - | 332 345 | 266 862 | - | 377 950 |
| | **9 582 733** | **264 325** | **(1 081 823)** | **(324 402)** | **(51 247)** | **-** | **2 128 125** | **(839 941)** | **9 677 770** |

**Reconciliation of biological assets - Municipality - 2009**

| | Opening balance | Additions | Decreases due to harvest / sales | Decreases due to deaths | Transfers | Gains arising from changes in fair value | Losses arising from changes in fair value | Total |
|---|---|---|---|---|---|---|---|---|
| Trees | 4 950 000 | - | - | - | - | - | - | 4 950 000 |
| Cows | 2 559 358 | - | (264 934) | (219 945) | - | 602 613 | - | 2 677 092 |
| Bulls | 216 667 | - | (8 333) | (50 000) | - | 31 651 | - | 189 985 |
| Calves | 493 917 | 606 170 | - | (33 676) | (708 802) | - | (246 109) | 111 500 |
| Heifers | 43 750 | 175 000 | - | (17 500) | 732 083 | 103 131 | - | 1 036 464 |
| Steers | 486 958 | - | (470 969) | (26 165) | 277 640 | 350 228 | - | 617 692 |
| | **8 750 650** | **781 170** | **(744 236)** | **(347 286)** | **300 921** | **1 087 623** | **(246 109)** | **9 582 733** |

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 4. Biological assets (continued)

**Non - Financial information**

| **Quantities of each biological asset** | | | | |
|---|---|---|---|---|
| Trees | 19 800 | 19 800 | 19 800 | 19 800 |
| Cows | 383 | 611 | 333 | 415 |
| Bulls | 101 | 19 | 26 | 19 |
| Calves | 293 | 278 | 271 | 223 |
| Heifers | 362 | 295 | 296 | 295 |
| Steers | 114 | 184 | 98 | 184 |
| Sheep | 108 | 74 | - | - |
| Goats | - | 51 | - | - |
| | **21 161** | **21 312** | **20 824** | **20 936** |

The Adam Kok farms are utilised for both livestock production and for the production of fruit. On 30 June 2010, the farm held 333 Cows, 26 Bulls, 271 Calves being raised to be Steers and Heifers being 296 Heifers and 98 Steers. The livestock is valued at fair market value (valued by Sworn Appraiser) less point of sale costs.

A mass plantation of peach and apple fruit trees are held for production of fruit, covering a total area of 18 hectares.

**Pledged as security**

No biological assets were pledged as security.

**Assets carried at cost less accumulated depreciation and impairment losses**

Biological assets are carried at fair value.

**Methods and assumptions used in determining fair value**

Cattle are valued at the prevailing market rates, as determined by breed, genetic merit and age less point of sale costs. Fruit trees are valued by way of an arm's length transaction that would have been applied / prevailing in replacing the existing fruit trees with fruit trees.

### 5. Investment property

| Economic entity | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Opening fair value | Accumulated depreciation | Carrying value | Opening fair value | Accumulated depreciation | Carrying value |
| Investment property | 2 200 000 | - | 2 200 000 | 2 100 000 | - | 2 100 000 |

| Municipality | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Opening fair value | | Closing fair value | Opening fair value | | Closing fair value |
| Investment property | 2 200 000 | - | 2 200 000 | 2 100 000 | - | 2 100 000 |

**Reconciliation of investment property - Economic entity and Municipality - 2010**

| | Opening balance | Fair value adjustments | Total |
|---|---|---|---|
| Investment property | 2 100 000 | 100 000 | 2 200 000 |

**Reconciliation of investment property - Economic entity and Municipality - 2009**

| | Opening balance | Fair value adjustments | Total |
|---|---|---|---|
| Investment property | 8 791 167 | (6 691 167) | 2 100 000 |

Investment property represents vacant land (Erf 1559) located in Port St Johns. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

**Details of valuation**

The effective date of the revaluations was 30 June 2010. Revaluations were performed by an independent valuer, Mr Letlaka Ndamase. He is a Professional Associated Valuer (Registration number 5435) with a National Diploma in Property Valuation and is a member of the SA Institute of Valuers, from Valuation Network Property Valuers and Consultants. Valuation Network Property Valuers and Consultants are not connected to the economic entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

**Prior period error**

Refer to prior period error note 42.

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 6. Property, infrastructure and equipment

| Economic entity | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation | Carrying value | Cost / Valuation | Accumulated depreciation | Carrying value |
| Land | 39 810 387 | (3 654 386) | 36 156 001 | 39 404 387 | (3 654 386) | 35 750 001 |
| Buildings | 120 296 577 | (11 345 336) | 108 951 241 | 94 567 698 | (7 820 099) | 86 747 599 |
| Infrastructure | 4 889 262 904 | (1 582 585 547) | 3 306 677 357 | 4 570 855 037 | (1 460 031 669) | 3 110 823 368 |
| Heritage | 90 000 | - | 90 000 | 90 000 | - | 90 000 |
| Other property, plant and equipment | 95 757 871 | (54 486 041) | 41 271 830 | 83 414 857 | (44 433 601) | 38 981 256 |
| Finance lease assets | 4 273 292 | (2 479 990) | 1 793 302 | 2 664 309 | (1 972 389) | 691 920 |
| **Total** | **5 149 491 031** | **(1 654 551 300)** | **3 494 939 731** | **4 790 996 288** | **(1 517 912 144)** | **3 273 084 144** |

| Municipality | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and impairment losses | Carrying value | Cost / Valuation | Accumulated depreciation and impairment losses | Carrying value |
| Land | 39 404 387 | (3 654 386) | 35 750 001 | 39 154 387 | (3 654 386) | 35 500 001 |
| Buildings | 116 240 206 | (10 779 378) | 105 460 828 | 92 349 991 | (7 235 567) | 85 114 424 |
| Infrastructure | 4 889 262 904 | (1 582 585 547) | 3 306 677 357 | 4 570 855 037 | (1 460 031 669) | 3 110 823 368 |
| Heritage | 90 000 | - | 90 000 | 90 000 | - | 90 000 |
| Other property, plant and equipment | 83 215 972 | (47 173 554) | 36 042 418 | 73 442 325 | (37 857 818) | 35 584 507 |
| Finance lease assets | 1 575 266 | (675 062) | 900 204 | 667 316 | (472 620) | 194 696 |
| **Total** | **5 129 788 735** | **(1 644 867 927)** | **3 484 920 808** | **4 776 559 056** | **(1 509 252 060)** | **3 267 306 996** |

## Notes to the Consolidated Financial Statements

Figures in Rand

**6. Property, infrastructure and equipment (continued)**

**Reconciliation of property, infrastructure and equipment - Economic entity - 2010**

| | Opening balance | Additions | Additions - DWAF donated | Disposals | Capital under construction - Municipality | Capital under construction - DWAF donated | Revaluations | Correction of error | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Land | 35 750 001 | - | - | - | - | - | 406 000 | - | - | - | 36 156 001 |
| Buildings | 86 747 599 | 294 162 | - | (1) | 12 478 719 | - | 8 055 995 | 4 812 265 | (3 084 163) | (353 335) | 108 951 241 |
| Infrastructure | 3 110 823 368 | 13 846 134 | 32 271 223 | - | 121 486 029 | 92 532 308 | - | 58 272 173 | (122 553 878) | - | 3 306 677 357 |
| Heritage | 90 000 | - | - | - | - | - | - | - | - | - | 90 000 |
| Other property, plant and equipment | 38 981 256 | 10 036 350 | - | (45 418) | - | - | 2 287 440 | 678 380 | (10 104 350) | (561 828) | 41 271 830 |
| Finance lease assets | 691 920 | 881 790 | - | - | - | - | 701 033 | 14 690 | (496 131) | - | 1 793 302 |
| | **3 273 084 144** | **25 058 436** | **32 271 223** | **(45 419)** | **133 964 748** | **92 532 308** | **11 450 468** | **63 777 508** | **(136 238 522)** | **(915 163)** | **3 494 939 731** |

## Notes to the Consolidated Financial Statements

Figures in Rand

### 6. Property, infrastructure and equipment (continued)

**Reconciliation of property, infrastructure and equipment - Economic entity - 2009**

| | Opening balance | Additions | Disposals | Revaluations | Correction of error | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 26 323 408 | - | - | 21 872 146 | (2 100 000) | - | (10 345 553) | 35 750 001 |
| Buildings | 50 105 678 | 4 471 573 | - | 39 990 447 | - | (3 198 159) | (4 621 940) | 86 747 599 |
| Infrastructure | 2 997 205 692 | 229 469 907 | - | - | - | (115 852 231) | - | 3 110 823 368 |
| Heritage | 90 000 | - | - | - | - | - | - | 90 000 |
| Other property, plant and equipment | 35 993 398 | 16 365 438 | (152 769) | - | 55 450 | (11 827 716) | (1 452 545) | 38 981 256 |
| Finance lease assets | 1 130 275 | 26 649 | - | - | - | (465 004) | - | 691 920 |
| | **3 110 848 451** | **250 333 567** | **(152 769)** | **61 862 593** | **(2 044 550)** | **(131 343 110)** | **(16 420 038)** | **3 273 084 144** |

## Notes to the Consolidated Financial Statements

Figures in Rand

### 6. Property, infrastructure and equipment (continued)

**Reconciliation of property, infrastructure and equipment - Municipality - 2010**

| | Opening balance | Additions | Additions - DWAF donated | Capital under construction - Municipality | Capital under construction - DWAF donated | Revaluations | Correction of error | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Land | 35 500 001 | - | - | - | - | 250 000 | - | - | - | 35 750 001 |
| Buildings | 85 114 424 | 294 162 | - | 12 478 719 | - | 6 217 333 | 4 716 253 | (3 006 728) | (353 335) | 105 460 828 |
| Infrastructure | 3 110 823 368 | 13 846 134 | 32 271 223 | 121 472 198 | 92 532 308 | - | 58 286 004 | (122 553 878) | - | 3 306 677 357 |
| Heritage | 90 000 | - | - | - | - | - | - | - | - | 90 000 |
| Other property, plant and equipment | 35 584 507 | 9 187 394 | - | - | - | - | 663 249 | (9 156 219) | (236 513) | 36 042 418 |
| Finance lease assets | 194 696 | 881 790 | - | - | - | - | 14 691 | (190 973) | - | 900 204 |
| | **3 267 306 996** | **24 209 480** | **32 271 223** | **133 950 917** | **92 532 308** | **6 467 333** | **63 680 197** | **(134 907 798)** | **(589 848)** | **3 484 920 808** |

## Notes to the Consolidated Financial Statements

Figures in Rand

### 6. Property, infrastructure and equipment (continued)

**Reconciliation of property, infrastructure and equipment - Municipality - 2009**

| | Opening balance | Additions | Prior year error (note 42) | Revaluations | Other changes, movements | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 26 073 408 | - | (2 100 000) | 21 872 146 | - | - | (10 345 553) | 35 500 001 |
| Buildings | 50 105 678 | 2 253 866 | - | 39 990 447 | - | (2 613 627) | (4 621 940) | 85 114 424 |
| Infrastructure | 2 997 205 692 | 229 469 907 | - | - | - | (115 852 231) | - | 3 110 823 368 |
| Heritage | 90 000 | - | - | - | - | - | - | 90 000 |
| Other property, plant and equipment | 33 237 184 | 11 780 124 | - | - | 55 450 | (8 036 019) | (1 452 232) | 35 584 507 |
| Finance lease assets | 313 535 | 26 649 | - | - | - | (145 488) | - | 194 696 |
| | **3 107 025 497** | **243 530 546** | **(2 100 000)** | **61 862 593** | **55 450** | **(126 647 365)** | **(16 419 725)** | **3 267 306 996** |

**Assets subject to finance lease (Net carrying amount)**

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| Finance lease assets | 1 793 302 | 691 920 | 900 204 | 194 696 |
| | **1 795 312** | **693 929** | **902 214** | **196 705** |

**Revaluations**

The effective date of the revaluations was 30 June 2010 or 31 May 2010. Revaluations were performed by independent professional valuers, Mr Charl Kruger (National Diploma in Property Valuers), Gesina de Sousa independant candidate valuer, Letlaka Ndamase, an independent professional associated valuer (National Diploma in Property Valuations), from Valuation Network Property Valuers and Consultants and Mr C.L. Sikuza (National Diploma: Real Estate, ND: Actioneering, Saia, Saiea, Ippsa, Mivsa, Appraiser) Registered valuer in terms of Section 20(2) of the Property Valuers Profession Act (47 of 2000). The valuators are members of the SA Institute of Valuers. Valuation Network Property Valuers and Consultants is not connected to the economic entity.

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

## 6. Property, infrastructure and equipment (continued)

Land and buildings are re-valued independently every 5 years.

The valuation was performed using the market value method and the following assumptions were used:
The income capitalisation approach used to value income producing properties and it is based on the assumption that the purchaser will pay no more for a property with a certain income flow with similar risks and benefits than for an investment elsewhere. The net income stream is converted into present value through the capitalisation process. The capitalisation rate of return which will be required by the owner of the investment if that investment were fully let to tenants paying market related rentals with market escalation rates.

These assumptions were based on current market conditions.

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

## 7. Intangible assets

| Economic entity | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Computer software | 3 183 214 | (2 435 588) | 747 626 | 2 784 905 | (1 724 358) | 1 060 547 |
| Ward Based database | 5 063 150 | (1 828 360) | 3 234 790 | 5 063 150 | (140 643) | 4 922 507 |
| **Total** | **8 246 364** | **(4 263 948)** | **3 982 416** | **7 848 055** | **(1 865 001)** | **5 983 054** |

| Municipality | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation | Carrying value | Cost | Accumulated amortisation | Carrying value |
| Computer software | 2 640 630 | (2 090 959) | 549 671 | 2 369 906 | (1 385 271) | 984 635 |
| Ward Based database | 5 063 150 | (1 828 360) | 3 234 790 | 5 063 150 | (140 643) | 4 922 507 |
| **Total** | **7 703 780** | **(3 919 319)** | **3 784 461** | **7 433 056** | **(1 525 914)** | **5 907 142** |

# Notes to the Consolidated Financial Statements

Figures in Rand

**7. Intangible assets (continued)**

**Reconciliation of intangible assets - Economic entity - 2010**

| | Opening balance | Additions | Revaluations | Correction of error | Amortisation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|
| Computer software | 1 060 547 | 396 172 | 72 329 | (3 113) | (774 353) | (3 956) | 747 626 |
| Ward Based database | 4 922 507 | - | - | - | (1 687 717) | - | 3 234 790 |
| | **5 983 054** | **396 172** | **72 329** | **(3 113)** | **(2 462 070)** | **(3 956)** | **3 982 416** |

**Reconciliation of intangible assets - Economic entity - 2009**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 1 540 836 | 377 328 | (857 617) | 1 060 547 |
| Ward Based database | - | 5 063 150 | (140 643) | 4 922 507 |
| | **1 540 836** | **5 440 478** | **(998 260)** | **5 983 054** |

## Notes to the Consolidated Financial Statements

Figures in Rand

### 7. Intangible assets (continued)

**Reconciliation of intangible assets - Municipality- 2010**

| | Opening balance | Additions | Correction of error | Amortisation | Total |
|---|---|---|---|---|---|
| Computer software | 984 635 | 275 549 | (1 609) | (708 904) | 549 671 |
| Ward Based database | 4 922 507 | - | - | (1 687 717) | 3 234 790 |
| | **5 907 142** | **275 549** | **(1 609)** | **(2 396 621)** | **3 784 461** |

**Reconciliation of intangible assets - Municipality - 2009**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 1 453 152 | 278 291 | (746 808) | 984 635 |
| Ward Based database | - | 5 063 150 | (140 643) | 4 922 507 |
| | **1 453 152** | **5 341 441** | **(887 451)** | **5 907 142** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 8. Inventories

| | | | | |
|---|---|---|---|---|
| Consumable stores | 1 350 709 | 602 804 | 1 298 764 | 531 301 |
| Maintenance materials | 8 076 438 | 6 935 037 | 8 076 438 | 6 935 037 |
| Water | 2 399 691 | 9 994 010 | 2 399 691 | 9 994 010 |
| Merchandise | 2 790 | 113 | - | - |
| Milk and maas; fertilizer and feed | 10 686 | 708 | - | - |
| | **11 840 314** | **17 532 672** | **11 774 893** | **17 460 348** |
| **Clear Water** | | | | |
| Opening water on hand | 402 110 | 402 110 | 402 110 | 402 110 |
| Mvumelwano Reservoirs | 500 | - | 500 | - |
| Mvumelwano Pipelines | 219 | - | 219 | - |
| Mhlanganisweni Reservoirs | 260 | - | 260 | - |
| Mhlanganisweni Pipelines | 11 | - | 11 | - |
| Other water schemes | 3 104 | - | 3 104 | - |
| Estimated remaining schemes (@1000 kl/scheme) | 4 000 | - | 4 000 | - |
| | **410 204** | **402 110** | **410 204** | **402 110** |
| **Raw Water** | | | | |
| Opening and closing balance | 38 643 | 38 643 | 38 643 | 38 643 |
| **In process** | | | | |
| Opening water on hand | 24 319 | 24 319 | 24 319 | 24 319 |
| Estimated remaining schemes (@1000 kl/scheme) | 1 000 | - | 1 000 | - |
| | **25 319** | **24 319** | **25 319** | **24 319** |
| **Total (kilo litres)** | | | | |
| Clear Water | 410 204 | 402 110 | 410 204 | 402 110 |
| Raw Water | 38 643 | 38 643 | 38 643 | 38 643 |
| In process | 25 319 | 24 319 | 25 319 | 24 319 |
| | **474 166** | **465 072** | **474 166** | **465 072** |

**Rates used**

Based on the assumptions made during the previous financial year, only raw water in ORTDM's pipes and reservoirs was included in the above calculation.

### 9. Other receivables from non-exchange transactions

| | | | | |
|---|---|---|---|---|
| Levies | - | 5 602 222 | - | 5 602 222 |
| Provision for impairment | - | (5 602 222) | - | (5 602 222) |
| | **-** | **-** | **-** | **-** |

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 9. Other receivables from non-exchange transactions (continued)

None of the financial assets that are fully performing have been renegotiated in the last year.

**Other receivables from non-exchange transactions impaired**

As of 30 June 2010, other receivables from non-exchange transactions were fully impaired and provided for. The amount of the provision was R Nil as of 30 June 2010 (2009: R 5 602 222).

The ageing of these receivables is as follows:

| | | | | |
|---|---|---|---|---|
| 365 days + | - | 5 602 222 | - | 5 602 222 |

**Reconciliation of provision for impairment of other receivables from non-exchange transactions**

| | | | | |
|---|---|---|---|---|
| Opening balance | (5 602 222) | (5 734 409) | (5 602 222) | (5 734 409) |
| Amounts written off as uncollectible | 5 602 222 | - | 5 602 222 | - |
| Unused amounts reversed | - | 132 187 | - | 132 187 |
| | **-** | **(5 602 222)** | **-** | **(5 602 222)** |

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is thecarrying amount of the receivable mentioned above. The economic entity does not hold any collateral as security.

### 10. VAT receivable

| | | | | |
|---|---|---|---|---|
| VAT receivable | 15 594 349 | 4 409 388 | 12 441 566 | 3 132 325 |

VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

### 11. Consumer debtors

| | | | | |
|---|---|---|---|---|
| **Gross balances** | | | | |
| Water | 113 782 563 | 99 569 914 | 113 782 563 | 99 569 914 |
| Sewerage | 64 022 918 | 29 741 490 | 64 022 918 | 29 741 490 |
| Projects | 179 045 | - | - | - |
| | **177 984 526** | **129 311 404** | **177 805 481** | **129 311 404** |
| **Less: Provision for debt impairment** | | | | |
| Water | (103 329 496) | (94 174 597) | (103 329 496) | (94 174 597) |
| Sewerage | (59 665 523) | (28 090 590) | (59 665 523) | (28 090 590) |
| Projects | (178 056) | - | - | - |
| | **(163 173 075)** | **(122 265 187)** | **(162 995 019)** | **(122 265 187)** |

**Net balance**

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |
| **11. Consumer debtors (continued)** | | | | |
| Water | 10 453 067 | 5 395 317 | 10 453 067 | 5 395 317 |
| Sewerage | 4 357 395 | 1 650 900 | 4 357 395 | 1 650 900 |
| Projects | 989 | - | - | - |
| | **14 811 451** | **7 046 217** | **14 810 462** | **7 046 217** |

**Summary of debtors by customer classification**

| | Economic entity 2010 | Economic entity 2009 | Municipality 2010 | Municipality 2009 |
|---|---|---|---|---|
| **General consumers** | | | | |
| Current (0 -30 days) | 9 177 446 | 8 915 072 | 9 167 384 | 8 915 072 |
| 31 - 60 days | 4 117 613 | 2 724 610 | 4 110 562 | 2 724 610 |
| 61 - 90 days | 3 392 967 | 2 056 997 | 3 392 967 | 2 056 997 |
| 91 - 120 days | 3 399 797 | 2 038 501 | 3 399 797 | 2 038 501 |
| 121 - 365 days | 50 627 265 | 23 058 715 | 50 428 560 | 23 058 715 |
| > 365 days | 54 121 565 | 56 988 665 | 54 121 565 | 56 988 665 |
| | 124 836 653 | 95 782 560 | 124 620 835 | 95 782 560 |
| Less: Provision for debt impairment | (116 317 234) | (92 092 773) | (116 139 178) | (92 092 773) |
| | **8 519 419** | **3 689 787** | **8 481 657** | **3 689 787** |
| **Industrial/ commercial** | | | | |
| Current (0 -30 days) | 3 304 752 | 1 723 217 | 3 304 752 | 1 723 217 |
| 31 - 60 days | 1 630 682 | 565 031 | 1 630 682 | 565 031 |
| 61 - 90 days | 1 013 117 | 453 670 | 1 013 117 | 453 670 |
| 91 - 120 days | 1 085 927 | 377 756 | 1 085 927 | 377 756 |
| 121 - 365 days | 10 399 940 | 3 780 580 | 10 399 940 | 3 780 580 |
| > 365 days | 3 978 916 | 4 431 026 | 3 978 916 | 4 431 026 |
| | 21 413 334 | 11 331 280 | 21 413 334 | 11 331 280 |
| Less: Provision for debt impairment | (19 955 842) | (10 894 770) | (19 955 842) | (10 894 770) |
| | **1 457 492** | **436 510** | **1 457 492** | **436 510** |
| **National and provincial government** | | | | |
| Current (0 -30 days) | 5 986 657 | 3 953 774 | 5 986 657 | 3 953 774 |
| 31 - 60 days | 2 423 868 | 1 046 114 | 2 423 868 | 1 046 114 |
| 61 - 90 days | 1 324 022 | 639 385 | 1 324 022 | 639 385 |
| 91 - 120 days | 1 152 011 | 245 583 | 1 152 011 | 245 583 |
| 121 - 365 days | 7 146 551 | 2 410 150 | 7 146 551 | 2 410 150 |
| > 365 days | 10 831 651 | 11 755 016 | 10 831 651 | 11 755 016 |
| | 28 864 760 | 20 050 022 | 28 864 760 | 20 050 022 |
| Less: Provision for debt impairment | (26 900 232) | (19 277 644) | (26 900 232) | (19 277 644) |
| | **1 964 528** | **772 378** | **1 964 528** | **772 378** |
| **Total** | | | | |
| Current (0 -30 days) | 18 468 905 | 14 592 063 | 18 458 793 | 14 592 063 |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 11. Consumer debtors (continued)

| | | | | |
|---|---|---|---|---|
| 31 - 60 days | 8 172 162 | 4 335 755 | 8 165 112 | 4 335 755 |
| 61 - 90 days | 5 730 106 | 3 150 052 | 5 730 106 | 3 150 052 |
| 91 - 120 days | 5 637 735 | 2 661 839 | 5 637 735 | 2 661 839 |
| 121 - 365 days | 68 173 756 | 29 249 446 | 67 975 051 | 29 249 446 |
| > 365 days | 68 932 133 | 73 174 706 | 68 932 132 | 73 174 706 |
| | 175 114 797 | 127 163 861 | 174 898 929 | 127 163 861 |
| Less: Provision for impairment | (163 173 348) | (122 265 187) | (162 995 292) | (122 265 187) |
| Amounts received in advance* | 2 870 002 | 2 147 543 | 2 906 825 | 2 147 543 |
| | **14 811 451** | **7 046 217** | **14 810 462** | **7 046 217** |

* Service debtors contain amounts that have been received in advance from some of the economic entity's consumer debtors. This amount has been disclosed under creditors. Accordingly, therefore, this amount accounts for the difference between total service debtors and the age analysis.

| **Reconciliation of debt impairment provision** | | | | |
|---|---|---|---|---|
| Balance at beginning of the year | (122 265 187) | (52 048 609) | (122 265 187) | (52 048 609) |
| Contributions to provision | (40 907 888) | (70 216 578) | (40 729 832) | (70 216 578) |
| | **(163 173 075)** | **(122 265 187)** | **(162 995 019)** | **(122 265 187)** |

None of the financial assets that are fully performing have been renegotiated in the last year.

**Fair value of consumer debtors**

Due to the short term nature of cosumer debtors, the carrying amount approximates the fair value.

**Consumer debtors impaired**

As of 30 June 2010, consumer debtors with a carrying amount of R 11 903 678 (2009: R 7 046 217) were impaired and provided for.

The amount of the provision was R 162 995 292 as of 30 June 2010 (2009: R 122 265 187).

In accordance with the annual fiscal budgeting proclamations, levies were repealed with effect from 1 July 2006, hence the relatively slow recovery rate.

The creation and release of provision for impaired receivables have been included in expenses in the statement of financial performance (note 30). Unwinding of discount is included in note 32 in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The economic entity does not hold any collateral as security.

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 12. Other receivables from exchange transactions

| | | | | |
|---|---|---|---|---|
| **Current** | | | | |
| Car loans | 51 445 | 51 445 | 51 445 | 51 445 |
| Staff loans | 67 105 | 142 965 | 67 105 | 142 965 |
| Other receivables | 3 286 838 | 1 211 588 | 3 136 907 | 1 211 588 |
| Prepayments | 203 292 | 20 151 | - | - |
| Less: Provision for doubtful debts | (1 922 601) | (103 675) | (1 922 601) | (103 675) |
| | **1 686 079** | **1 302 323** | **1 332 856** | **1 302 323** |

**Car loans**

These are loans that were originally given to employees in 2006, payable within three years at no interest. The above employees are no longer working for the Municipality. Efforts are being made through the legal department to collect the amount owed.

**Staff loans**

Staff loans comprise interest-free study loans granted to employees. As a means to provide an incentive for employees to further their studies and training the municipality has a scheme whereby employees who are successful on their studies (pass rate on courses registered for per academic year) are not required to pay back the study loan and any amounts that would have been recovered from the employees through the payroll are paid back to them.

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | | | |
|---|---|---|---|---|
| Bank balances | 1 620 033 | 33 380 842 | 1 620 033 | 33 380 842 |
| Call deposits | 77 524 884 | 56 301 454 | 63 357 360 | 39 249 716 |
| Bank overdraft | (39) | (435 793) | - | (222) |
| | **79 144 878** | **89 246 503** | **64 977 393** | **72 630 336** |
| Current assets | 79 144 917 | 89 682 296 | 64 977 393 | 72 630 558 |
| Current liabilities | (39) | (435 793) | - | (222) |
| | **79 144 878** | **89 246 503** | **64 977 393** | **72 630 336** |

### 13. Cash and cash equivalents (continued)

**The economic entity had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2010 | 30 June 2009 | 30 June 2008 |
| Current Account (Primary Bank Account) First National Bank, York Road: Account Number 539990172 | 49 260 977 | 33 339 219 | 39 193 004 | 1 608 228 | 33 367 570 | 10 582 923 |
| Credit Card Account First National Bank, York Road: Account Number 881271004736000 | 3 088 | 8 465 | 7 145 | 5 344 | 13 271 | 11 952 |
| Current Account (Petty cash) First National Bank, York Road: Account Number 621428618881 | - | (222) | 39 | 1 657 | (222) | 4 168 |
| Current Account (Primary Bank Account) First National Bank, York Road: Account Number 62166804742 | 956 942 | 231 132 | 6 684 649 | 859 865 | (435 571) | 5 330 940 |
| Salaries Account First National Bank, York Road: Account Number 62183286890 | 6 037 | 976 | 18 945 | 6 037 | 976 | 18 945 |
| Old maize account First National Bank, York Road: Account Number 62068052762 | - | 766 988 | 186 603 | - | 766 998 | 186 603 |
| DEAT - Road signage First National Bank, York Road: Account Number 62174957301 | 164 | 490 | - | 164 | 490 | - |
| DEAT - Beekeeping First National Bank, York road: Account Number 62174956543 | (37) | 1 953 | - | (37) | 1 953 | - |
| Transport First National Bank, York Road: Account Number 240100204 | - | - | 15 786 | - | - | 15 786 |
| Ntinga Maize Meeg Bank - Mthatha branch: Account Number 4059788120 | - | - | 484 245 | - | - | 484 245 |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

**13. Cash and cash equivalents (continued)**

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2010 | 30 June 2009 | 30 June 2008 |
| Umzikantu Red Meat Abattoir Meeg Bank - Mthatha West: Account Number 4056609389 | - | - | 1 947 | - | - | 8 148 |
| Ikhwezi Farm Meeg Bank - Mthatha West: Account Number 4056423301 | - | - | 23 095 | - | - | 13 196 |
| Call account Meeg Bank - Mthatha West: Account Number 9106521426 | - | - | 27 391 | - | - | 27 391 |
| Integrated Energy Centre First NationalBank - Call account: Account Number 62182223257 | 2 949 589 | 2 758 408 | 2 512 803 | 2 949 589 | 2 758 408 | 2 512 803 |
| Ntinga Call account First National Bank: Account Number 62181670540 | 3 691 133 | 6 048 219 | 1 536 389 | 3 691 133 | 6 048 219 | 1 536 389 |
| Maize new account First National Bank: Account Number 62174955553 | - | 3 570 571 | 8 440 | - | 3 570 751 | 8 440 |
| Adam Kok Farms First National Bank: Account Number 62217068750 | 2 402 230 | 186 574 | - | 2 402 230 | 186 574 | - |
| Lambasi First National Bank: Account Number 62193282531 | 12 239 | 11 453 | - | 12 239 | 11 453 | - |
| DEAT Road Signage First National Bank: Account Number 62189189585 | 382 381 | 1 150 424 | - | 382 381 | 1 150 424 | - |
| DEAT Beekeeping First National Bank: Account Number 62189188553 | 156 290 | 539 776 | - | 156 290 | 539 776 | - |
| Ikhwezi Farm First National Bank: Account Number 62185095281 | 9 240 | 433 269 | - | 9 240 | 433 269 | - |

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

## 13. Cash and cash equivalents (continued)

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2010 | 30 June 2009 | 30 June 2008 |
| Umzikantu Red Meat Abattoir First National Bank: Account Number 62185096122 | 15 004 | 39 369 | - | 15 004 | 39 369 | - |
| Livestock project First National Bank | 190 534 | - | - | 190 534 | - | - |
| IDT School Greening First National Bank | 2 604 | - | - | 2 604 | - | - |
| Call account Standard Bank: Account Number 548663572-001 | 578 887 | 546 175 | 500 000 | 578 887 | 546 175 | 500 000 |
| Liberty Life Investment (Restated) Account Number 548663572-001 | - | 989 243 | - | - | 989 243 | - |
| Baziya Sustainable Villages - Surudec Call Account Liberty Life investment: Account Number | 2 910 626 | - | - | 2 910 626 | - | - |
| Baziya Sustainable Villages - Surudec Cheque Account Liberty Life investment: Account Number | 700 | - | - | 700 | - | - |
| Cash on hand (float) | (2) | - | - | - | - | - |
| Other bank accounts | 15 616 222 | 38 624 991 | 60 074 162 | 15 616 252 | 38 624 021 | 60 074 162 |
| **Total** | **79 144 878** | **89 247 503** | **111 274 673** | **31 398 997** | **88 613 177** | **81 316 121** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 14. Finance lease obligation

| | | | | |
|---|---|---|---|---|
| **Minimum lease payments due** | | | | |
| - within one year | 480 079 | 362 104 | 344 527 | 112 613 |
| - in second to fifth year inclusive | 1 194 912 | 193 570 | 1 194 912 | 72 526 |
| | 1 674 991 | 555 674 | 1 539 439 | 185 139 |
| less: future finance charges | (283 540) | (64 376) | (262 046) | (33 694) |
| **Present value of minimum lease payments** | **1 391 451** | **491 298** | **1 277 393** | **151 445** |
| Non-current liabilities | 991 512 | 185 972 | 991 512 | 53 668 |
| Current liabilities | 399 939 | 305 327 | 285 881 | 97 778 |
| | **1 391 451** | **491 299** | **1 277 393** | **151 446** |

The average lease term is 5 years. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate (internal rate of return) is 22.68%. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments. None of the leased equipment's ownership will pass to the economic entity at the end of the respective lease terms. Included in the above leases is a capitalised finance lease agreement for a Loader Backhoe acquired by the Agency at an amount of R 488 098, with monthly repayments of R11 296 repayable over a period of five years at an interest rate of 10.5%

The economic entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 6.

### 15. Conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | | | | |
|---|---|---|---|---|
| **Unspent conditional grants and receipts** | | | | |
| MIG Grants | 14 080 629 | 28 612 719 | 14 080 629 | 28 612 719 |
| Other | 5 647 111 | 30 567 035 | - | 30 567 035 |
| Other | (21 580 269) | - | (21 580 269) | - |
| Amount transferred to current assets | 7 499 640 | - | 7 499 640 | - |
| | **5 647 111** | **59 179 754** | **-** | **59 179 754** |

**Movement during the year**

| | | | | |
|---|---|---|---|---|
| Balance at the beginning of the year | 59 179 754 | 67 020 380 | 59 179 754 | 67 020 380 |
| Income recognition during the year | (61 032 283) | (7 840 626) | (66 679 394) | (7 840 626) |
| Obligations under transfer arrangements recognised under current assets * | 7 499 64 | | 7 499 64 | |
| | **5 647 111** | **59 179 754** | **-** | **59 179 754** |

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 15. Conditional grants and receipts (continued)

* An amount of R7 499 640 (2009 - Nil) was transferred to current assets as a receivable. See note 21 for the reconciliation of other grants from National/Provincial Government. These amounts are invested in ring-fenced investments until utilised.

### 16. Provisions

**Reconciliation of provisions - Economic entity - 2010**

| | Opening Balance | Reversed during the year | Total |
|---|---|---|---|
| Legal proceedings | 99 539 | (26 652) | 72 887 |

**Reconciliation of provisions - Economic entity - 2009**

| | Opening Balance | Additions | Total |
|---|---|---|---|
| Legal proceedings | 99 359 | 180 | 99 539 |

Provision for court orders was issued against the Agency previously but only detected in the prior year. This was issued in favour of unknown creditors. Investigations are currently underway to determine the complainants. These will be paid once determined.

### 17. Trade and other payables from exchange transactions

| | | | | |
|---|---|---|---|---|
| Trade payables | 213 561 401 | 106 195 175 | 207 123 298 | 104 947 316 |
| Payments received in advance | 2 906 510 | 8 159 423 | 2 906 511 | 2 147 543 |
| Accrued leave pay | 19 996 042 | 17 616 262 | 17 985 160 | 15 824 767 |
| Accrued bonus | 4 015 533 | 3 602 521 | 4 011 110 | 3 602 521 |
| Other creditors | 3 074 832 | 3 044 638 | 2 471 375 | 2 457 998 |
| | **243 554 318** | **138 618 019** | **234 497 454** | **128 980 145** |

**Fair value of trade and other payables**

Due to the short-term nature of the payables, fair value approximates carrying amount.

### 18. VAT payable

| | | | | |
|---|---|---|---|---|
| VAT payable to SARS | - | 363 816 | - | - |

### 19. Consumer deposits

| | | | | |
|---|---|---|---|---|
| Water | 184 297 | 2 100 | 184 297 | 2 100 |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 20. Service charges

| | | | | |
|---|---|---|---|---|
| Sale of water | 74 437 544 | 42 984 895 | 74 437 544 | 42 984 895 |
| Sewerage and sanitation charges | 15 424 100 | 14 784 444 | 15 424 100 | 14 784 444 |
| Less: Interest on discounting | (889 717) | (1 469 349) | (889 717) | (1 469 349) |
| | **88 971 927** | **56 299 990** | **88 971 927** | **56 299 990** |

### 21. Government grants and subsidies

| | | | | |
|---|---|---|---|---|
| Equitable share | 324 579 554 | 260 794 564 | 324 579 554 | 260 794 564 |
| MIG Grant | 441 428 438 | 436 169 320 | 442 693 348 | 436 169 320 |
| Other government grants and subsidies | 91 193 676 | 92 925 705 | 91 193 676 | 92 925 705 |
| Grant in aid income | 53 375 149 | 62 014 438 | 53 375 149 | 62 014 438 |
| | **910 576 817** | **851 904 027** | **911 841 727** | **851 904 027** |

**Equitable Share**

In terms of the Constitution, amongst other things, this grant is used to subsidise the provision of basic services to the district's communities. In this regard, the district's service beneficiaries (water supply customers) receive an allocation of 6 kilolitres of free water a day. This translates to a subsidy of R21.60 per month (2009: R21.60), which is funded from this grant. Furthermore as part of service delivery, the District Municipality carts water to the urban and rural areas throughout the district.

**MIG Grant**

| | | | | |
|---|---|---|---|---|
| Balance unspent at beginning of year | 28 612 719 | 34 604 039 | 28 612 719 | 34 604 039 |
| Current-year receipts | 400 000 000 | 430 178 000 | 400 000 000 | 430 178 000 |
| Conditions met - transferred to revenue | (442 693 348) | (436 169 320) | (442 693 348) | (436 169 320) |
| | **(14 080 629)** | **28 612 719** | **(14 080 629)** | **28 612 719** |

In terms of the MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The municipality reports at year-end all unspent conditional grants were committed to identifiable projects.

**Other government grants and subsidies**

| | | | | |
|---|---|---|---|---|
| Balance unspent at beginning of year | 30 567 035 | 32 416 341 | 30 567 035 | 32 416 341 |
| Current-year receipts | - | 91 076 398 | 105 941 987 | 91 076 398 |
| Conditions met - transferred to revenue | - | (92 925 704) | (113 574 063) | (92 925 704) |
| Prior year error | 95 974 | - | 95 974 | - |
| Other | (25 015 898) | - | (23 030 933) | - |
| | **5 647 111** | **30 567 035** | **-** | **30 567 035** |

**Grant in aid income**

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 21. Government grants and subsidies (continued)

| | | | | |
|---|---|---|---|---|
| Water infrastructure | - | - | 14 748 311 | 62 014 438 |

Grant in aid income represents the value of Water Infrastructure constructed by the Department of Water Affairs & Forestry during the current year for the municipality.

**Changes in level of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act 12 of 2009), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

| | | 2011<br>R | 2012<br>R | 2013<br>R |
|---|---|---|---|---|
| Financial management grant | | 1 000 000 | 1 250 000 | 1 500 000 |
| Muncipal systems improvement grant | | 1 000 000 | 1 050 000 | 2 000 000 |
| Equitable share | | 406 208 000 | 456 876 000 | 502 252 000 |
| Municipal infrastructure grant | | 570 958 000 | 686 690 000 | 834 953 000 |
| Water services operating and transfer subsidy | | 19 027 000 | 19 381 000 | 14 298 000 |
| | | **998 193 000** | **1 165 247 000** | **1 355 003 000** |

### 22. Public contributions and donations

| | | | | |
|---|---|---|---|---|
| Public contributions - unconditional | 200 000 | 1 600 000 | 200 000 | 1 600 000 |

| | | | | |
|---|---|---|---|---|
| **Reconciliation of conditional contributions** | | | | |
| Current year receipts | 200 000 | 1 600 000 | 200 000 | 1 600 000 |
| Conditions met - transferred to revenue | (200 000) | (1 600 000) | (200 000) | (1 600 000) |
| | **-** | **-** | **-** | **-** |

2010 - The public contribution received was from the Premier's office in October 2009. Contribution received was R200 000.

2009 - The public contribution received was from the Provincial Department of Transport and the Eastern Cape Development Corporation in lieu of the Investment Conference held in the District in February 2009, the contributions received were R1 500 000 and R100 000 respectively.

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 23. Other income

| | | | | |
|---|---|---|---|---|
| Commissions received | 76 184 | 93 786 | 76 184 | 93 786 |
| Sundry revenue | 8 997 404 | 7 972 398 | 3 227 771 | 1 506 942 |
| Tender documents | 8 792 615 | 7 034 691 | 716 161 | 287 831 |
| Deposits | 5 056 362 | 9 000 | - | 9 000 |
| VAT refund (MFMA Circular No. 48 implementation) | 61 793 435 | 55 541 991 | 61 793 435 | 55 541 991 |
| Lgetsa - Skills Development | - | 609 553 | - | 609 553 |
| Insurance claims | 11 750 | - | 11 750 | - |
| | **84 727 750** | **71 261 419** | **65 825 301** | **58 049 103** |

### 24. Investment revenue

| | | | | |
|---|---|---|---|---|
| **Finance income** | | | | |
| Investments | 7 605 292 | 11 216 683 | 7 605 292 | 10 135 513 |
| Bank | 1 366 030 | 1 714 652 | 768 197 | 1 714 652 |
| | 8 971 322 | 12 931 335 | 8 373 489 | 11 850 165 |
| Interest charged on trade and other receivables | 283 112 | - | - | - |
| Interest received - other | 13 554 135 | 3 613 434 | 13 554 135 | 3 347 479 |
| | 13 837 247 | 3 613 434 | 13 554 135 | 3 347 479 |
| | **22 808 569** | **16 544 769** | **21 927 624** | **15 197 644** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 25. General expenses

| | | | | |
|---|---|---|---|---|
| 2010 Sports development programme | 681 221 | 879 648 | 681 221 | 879 648 |
| Accommodation and travel | 673 027 | 847 350 | - | - |
| Advertising and promotion | 469 580 | 599 987 | 424 899 | 547 713 |
| Assessment rates | 734 012 | 634 288 | 734 012 | 634 288 |
| Assistance programmes | 3 065 652 | 3 476 974 | 3 065 652 | 3 476 974 |
| Audit committee allowances | 731 833 | 566 047 | 97 430 | 43 168 |
| Auditors remuneration | 4 402 274 | 3 261 351 | 2 582 703 | 1 924 700 |
| Bank charges | 1 185 694 | 436 833 | 1 144 631 | 383 538 |
| Branding and promotion | 3 456 865 | 620 951 | 3 295 308 | 371 718 |
| Ceremonial function | 11 809 | 121 438 | 11 809 | 121 438 |
| Child protection services | 12 160 | 58 171 | 12 160 | 58 171 |
| Cleaning | 358 394 | 278 654 | 299 101 | 243 312 |
| Communication | 1 638 404 | 2 199 007 | 1 638 404 | 2 199 007 |
| Community participation and road shows | 455 042 | 979 873 | 455 042 | 979 873 |
| Conditional grant expenditure | 350 850 881 | 370 994 490 | 350 850 881 | 370 994 490 |
| Conferences and delegations | 570 370 | 692 765 | 570 370 | 533 380 |
| Consulting and professional fees | 6 133 853 | 2 942 241 | 5 877 137 | 2 682 563 |
| Corporate gifts | 41 890 | 188 649 | 41 890 | 184 078 |
| Council receptions | 161 057 | 127 123 | 161 057 | 127 123 |
| District sports council | 71 179 | 89 232 | 71 179 | 89 232 |
| Donations | 671 635 | - | 546 914 | - |
| Entertainment | 20 238 | 141 688 | 20 238 | 139 996 |
| Farm operations | (896 231) | 6 518 893 | 587 769 | 6 518 893 |
| Free basic services | 30 541 322 | 14 332 774 | 30 541 322 | 14 332 774 |
| GIS Land audit and land manna | - | 170 130 | - | 170 130 |
| Group life assurance scheme | 1 601 212 | 1 747 369 | 1 601 212 | 1 747 369 |
| HIV and Aids (Inkciyo Practice) | 1 647 054 | 1 906 866 | 1 647 054 | 1 906 866 |
| Hire - plant and machinery, water plant | 1 946 781 | 2 164 654 | 1 942 431 | 2 157 231 |
| Horticulture | 98 345 | 181 330 | 98 345 | 181 330 |
| Housing project - launches | 91 731 | 267 268 | 91 731 | 267 268 |
| Insurance | 1 457 004 | 1 187 481 | 1 058 708 | 880 638 |
| Inter-governmental relations | 2 735 769 | 52 554 | 2 735 769 | 52 554 |
| Interest and penalties | - | 461 050 | - | 184 752 |
| Internal audit fees | 319 578 | 307 798 | - | - |
| International relations | 53 565 | 11 584 | 11 400 | 11 584 |
| Investment conference | 238 663 | 5 849 199 | 238 663 | 5 849 199 |
| Investor mobilisation | - | 136 458 | - | 136 458 |
| Legal fees | 467 666 | 541 981 | 424 189 | 468 429 |
| Library services | - | 285 359 | - | 285 359 |
| Licence fees | 2 299 623 | 700 161 | 2 222 650 | 664 060 |
| Mayor's intervention fund | 1 356 823 | 2 044 594 | 1 356 823 | 2 044 594 |
| Mayor's sectoral engagement | 117 216 | 887 170 | 117 216 | 887 170 |
| Mayoral reception fund | 42 464 | 178 943 | 42 464 | 178 943 |
| Membership fees | 13 452 | 4 019 | 13 452 | 4 019 |
| Motor vehicle fuel and oil | 7 059 406 | 7 967 057 | 6 021 681 | 7 205 656 |
| Municipal health services | 628 714 | 297 950 | 628 714 | 297 950 |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |
| **25. General expenses (continued)** | | | | |
| OR Tambo month, Mandela month and other promotions | 3 481 535 | 7 143 485 | 3 481 535 | 7 143 485 |
| Office rental | 684 936 | 448 745 | 131 590 | 130 483 |
| Other operational expenditure | 11 361 405 | 23 897 754 | 14 284 984 | 21 106 238 |
| Postage | 184 743 | 290 219 | 177 508 | 280 176 |
| Poverty relief programme | 4 933 644 | 4 641 582 | 4 933 644 | 4 641 582 |
| Primary health care | 114 850 | 145 360 | 114 850 | 145 360 |
| Printing and stationery | 2 327 680 | 2 533 847 | 1 917 730 | 2 167 067 |
| Project expenses | 51 581 911 | 36 079 823 | - | - |
| Protective clothing | 54 279 | 852 647 | 54 279 | 852 647 |
| Public transport | 104 200 | 328 277 | 104 200 | 328 277 |
| Relocation costs | 132 792 | 95 068 | 5 250 | 38 510 |
| Revenue generation and enhancement | 8 000 | 971 789 | 8 000 | 971 789 |
| SMME development programme | - | 498 788 | - | 498 788 |
| Safety and security programme | 264 175 | 311 252 | 264 175 | 311 252 |
| Salga fees | 1 261 314 | 1 144 834 | 1 261 314 | 1 144 834 |
| Scientific disaster management | 176 248 | 347 322 | 176 248 | 347 322 |
| Skills development and capacity building | 705 267 | 905 809 | 705 267 | 905 809 |
| Social and community facilities | - | 175 300 | - | 175 300 |
| Social relief programme | 274 877 | 1 043 806 | 274 877 | 1 043 806 |
| Sports, arts, culture and heritage | 241 979 | 993 490 | 241 979 | 993 490 |
| Spus | 3 955 856 | 4 270 056 | 3 955 856 | 4 270 056 |
| Stocks and material | 6 363 713 | 5 982 873 | 6 363 713 | 5 982 873 |
| Storm water management plan | - | 592 918 | - | 592 918 |
| Telephone cost | 4 766 908 | 3 882 076 | 4 486 123 | 3 731 552 |
| Tourism education and awareness | 366 923 | 192 896 | 366 923 | 192 896 |
| Tourism marketing | 346 737 | 1 156 105 | 346 737 | 1 156 105 |
| Transfer of sports facilities | 208 628 | 375 107 | 208 628 | 375 107 |
| Travel and subsistence | 5 510 870 | 7 543 544 | 5 510 870 | 6 671 880 |
| Village water committees | 13 184 161 | 11 403 393 | 13 184 161 | 11 403 393 |
| WSA Business plan implementation | - | 180 005 | - | 180 005 |
| Waste management | 499 328 | 36 693 | 499 328 | 36 693 |
| Water purification chemicals | 12 009 941 | 5 492 128 | 12 009 941 | 5 492 128 |
| Water quality monitoring | 2 892 650 | 1 847 071 | 2 892 650 | 1 847 071 |
| Water services operating and transfer | 1 524 333 | 1 168 679 | 1 524 333 | 1 168 679 |
| Water week event | - | 144 010 | - | 144 010 |
| Whippery support | 269 062 | 894 411 | 269 062 | 894 411 |
| Workmen's Compensation Fund | - | 1 567 994 | - | 955 333 |
| Workplace training | 676 854 | 1 875 942 | 676 854 | 1 875 942 |
| | **558 687 026** | **569 794 500** | **504 396 240** | **523 244 903** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 26. Employee related costs

| | | | | |
|---|---|---|---|---|
| Basic | 102 230 086 | 82 578 698 | 84 138 430 | 69 330 252 |
| Bonus (13th cheque) | 6 359 923 | 5 490 831 | 6 359 923 | 5 490 831 |
| Contributions for UIF, pensions, medical aids and skills development levy | 16 787 922 | 13 799 647 | 16 631 625 | 13 653 460 |
| Leave pay provision charge | 3 766 811 | 4 211 497 | 3 379 783 | 3 719 383 |
| Travel, motor car and other allowances | 18 318 285 | 16 696 300 | 17 405 855 | 14 764 603 |
| Overtime payments | 3 309 133 | 3 942 194 | 3 309 133 | 3 942 194 |
| Housing benefits | 4 836 509 | 4 018 355 | 4 836 509 | 4 018 355 |
| Performance bonuses | 1 160 074 | 104 449 | - | 104 449 |
| Other employee related costs | 1 057 921 | 94 726 | - | - |
| | **157 826 664** | **130 936 697** | **136 061 258** | **115 023 527** |

**Remuneration of Municipal Manager**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 948 674 | 922 706 | 948 674 | 922 706 |
| Car Allowance | 75 600 | 79 396 | 75 600 | 79 396 |
| Contributions to UIF, Medical and Pension Funds | 1 497 | 1 497 | 1 497 | 1 497 |
| | **1 025 771** | **1 003 599** | **1 025 771** | **1 003 599** |

**Remuneration of Chief Finance Officer**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 626 622 | 537 187 | 626 622 | 537 187 |
| Car Allowance | 314 603 | 314 601 | 314 603 | 314 601 |
| Contributions to UIF, Medical and Pension Funds | 1 497 | 1 497 | 1 497 | 1 497 |
| Leave pay | - | 88 715 | 33 831 | 88 715 |
| | **942 722** | **942 000** | **976 553** | **942 000** |

**Remuneration of the Strategic director - Corporate Services**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 867 591 | 756 840 | 867 591 | 756 840 |
| Car Allowance | 120 000 | 120 000 | 120 000 | 120 000 |
| UIF | 1 497 | 1 497 | 1 497 | 1 497 |
| | **989 088** | **878 337** | **989 088** | **878 337** |

**Remuneration of Strategic director - Planning and Socio-Economic Affairs**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 924 591 | 804 840 | 924 591 | 804 840 |
| Car Allowance | 72 000 | 72 000 | 72 000 | 72 000 |
| UIF | 1 497 | 1 497 | 1 497 | 1 497 |
| | **998 088** | **878 337** | **998 088** | **878 337** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

**26. Employee related costs (continued)**

**Remuneration of Internal Audit Manager**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 797 225 | 707 787 | 797 225 | 707 787 |
| Car Allowance | 144 000 | 144 000 | 144 000 | 144 000 |
| UIF | 1 497 | 1 497 | 1 497 | 1 497 |
| Leave pay | 35 657 | 105 680 | 35 657 | 105 680 |
| | **978 379** | **958 964** | **978 379** | **958 964** |

**Remuneration of Director - Municipal Operations and Reporting**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 692 654 | 558 376 | 692 654 | 558 376 |
| Car Allowance | 193 204 | 193 200 | 193 204 | 193 200 |
| UIF | 1 497 | 1 497 | 1 497 | 1 497 |
| Other | - | 69 700 | - | 69 700 |
| | **887 355** | **822 773** | **887 355** | **822 773** |

**Remuneration of Council Secretary**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 765 859 | 631 577 | 765 859 | 631 577 |
| Car Allowance | 120 000 | 120 000 | 120 000 | 120 000 |
| UIF | 1 497 | 1 497 | 1 497 | 1 497 |
| Leave pay | 33 560 | - | 33 560 | - |
| | **920 916** | **753 074** | **920 916** | **753 074** |

**Remuneration of Political Advisor**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 948 674 | 851 345 | 948 674 | 851 345 |
| Car Allowance | 75 600 | 75 600 | 75 600 | 75 600 |
| UIF | 1 497 | 1 497 | 1 497 | 1 497 |
| | **1 025 771** | **928 442** | **1 025 771** | **928 442** |

**Remuneration of Director - Office of the Executive Mayor**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 626 622 | 537 242 | 626 622 | 537 242 |
| Car Allowance | 314 603 | 314 604 | 314 603 | 314 604 |
| UIF | 1 497 | 1 497 | 1 497 | 1 497 |
| Leave pay | 35 657 | 74 153 | 35 657 | 74 153 |
| | **978 379** | **927 496** | **978 379** | **927 496** |

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

## 26. Employee related costs (continued)

**Remuneration of Individual Executive Directors - Technical Services**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 807 859 | 631 678 | 807 859 | 631 678 |
| Car Allowance | 78 000 | 120 000 | 78 000 | 120 000 |
| Contributions to UIF, Medical and Pension Funds | 1 497 | 1 497 | 1 497 | 1 497 |
| Leave pay | 31 370 | - | 31 370 | - |
| | **918 726** | **753 175** | **918 726** | **753 175** |

**Remuneration of Individual Executive Directors - Corporate Services**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 779 399 | 639 154 | 779 399 | 639 154 |
| Car Allowance | 106 460 | 112 424 | 106 460 | 112 424 |
| Contributions to UIF, Medical and Pension Funds | 1 497 | 1 497 | 1 497 | 1 497 |
| | **887 356** | **753 075** | **887 356** | **753 075** |

**Remuneration of Individual Executive Directors - Community Services**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 813 859 | 679 578 | 813 859 | 679 578 |
| Car Allowance | 72 000 | 72 000 | 72 000 | 72 000 |
| Contributions to UIF, Medical and Pension Funds | 1 497 | 1 497 | 1 497 | 1 497 |
| | **887 356** | **753 075** | **887 356** | **753 075** |

**Remuneration paid by the Municipal Entity:**

**Remuneration of Chief Executive Officer**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 763 631 | 696 354 | - | - |
| Travel Allowance | 71 722 | 65 202 | - | - |
| Cellphone Allowance | 28 207 | 25 643 | - | - |
| Annual Bonus | 63 008 | 52 262 | - | - |
| Provident fund | 98 293 | 89 537 | - | - |
| Performance Bonus | - | 20 012 | - | - |
| | **1 024 861** | **949 010** | **-** | **-** |

**Remuneration of the Chief Financial Officer**

| | | | | |
|---|---|---|---|---|
| Annual Remuneration | 552 880 | 502 188 | - | - |
| Travel Allowance | 66 000 | 60 000 | - | - |
| Cellphone Allowance | 18 610 | 12 335 | - | - |
| Annual Bonus | 37 069 | 31 493 | - | - |
| Provident Fund | 57 827 | 52 570 | - | - |
| Performance bonus | - | 46 709 | - | - |
| | **732 386** | **705 295** | **-** | **-** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 26. Employee related costs (continued)

| Remuneration of the Senior Manager Community Development | | | | |
|---|---|---|---|---|
| Annual Remuneration | 533 074 | - | - | - |
| Travel Allowance | 58 510 | - | - | - |
| Cellphone Allowance | 15 726 | - | - | - |
| Annual bonus | 43 984 | - | - | - |
| Provident fund | 68 616 | - | - | - |
| | **719 910** | **-** | **-** | **-** |

| Remuneration of the Corporate Service Manager | | | | |
|---|---|---|---|---|
| Annual Remuneration | 442 367 | 354 478 | - | - |
| Travel Allowance | 66 000 | 60 000 | - | - |
| Cellphone Allowance | 13 100 | 11 918 | - | - |
| Annual bonus | 36 500 | 29 959 | - | - |
| Provident fund | 56 940 | 49 781 | - | - |
| Performance bonus | - | 35 530 | - | - |
| | **614 907** | **541 666** | **-** | **-** |

| Remuneration of the Senior Manager - Agricultural Development | | | | |
|---|---|---|---|---|
| Annual Remuneration | 528 073 | 476 832 | - | - |
| Travel Allowance | 67 182 | 61 075 | - | - |
| Cellphone Allowance | 13 110 | 11 918 | - | - |
| Annual bonus | 43 572 | 37 443 | - | - |
| Provident fund | 67 973 | 61 793 | - | - |
| Performance bonus | - | 69 367 | - | - |
| | **719 910** | **718 428** | **-** | **-** |

| Remuneration of the Senior Manager - Municipal Support | | | | |
|---|---|---|---|---|
| Annual Remuneration | 479 172 | 451 597 | - | - |
| Travel Allowance | 67 182 | 61 075 | - | - |
| Cellphone Allowance | 13 110 | 11 918 | - | - |
| Annual bonus | 39 537 | 33 976 | - | - |
| Provident fund | 61 678 | 56 071 | - | - |
| Performance bonus | - | 64 351 | - | - |
| | **660 679** | **678 988** | **-** | **-** |

| Remuneration of Company Secretary | | | | |
|---|---|---|---|---|
| Annual Remuneration | 455 071 | 403 898 | - | - |
| Travel Allowance | 66 000 | 60 000 | - | - |
| Cellphone Allowance | 15 726 | 14 296 | - | - |
| Annual bonus | 29 924 | 20 849 | - | - |
| Provident fund | 46 682 | 37 025 | - | - |
| Performance bonus | - | 38 158 | - | - |
| | **613 403** | **574 226** | **-** | **-** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 26. Employee related costs (continued)

| | | | | |
|---|---|---|---|---|
| **Board and Committee fees** | | | | |
| **Board Chair** | | | | |
| Fees | 73 482 | 27 000 | - | - |
| Travel claim | 8 875 | 6 554 | - | - |
| **Other Committee members** | | | | |
| Ntinga O.R. Tambo Development Agency | 403 562 | 580 523 | - | - |
| | **485 919** | **614 077** | **-** | **-** |

### 27. Remuneration of councillors

| | | | | |
|---|---|---|---|---|
| Executive Mayor | 574 004 | 538 575 | 574 004 | 538 575 |
| Mayoral Committee Members | 3 948 128 | 3 778 310 | 3 948 128 | 3 778 310 |
| Speaker | 270 231 | 236 972 | 270 231 | 236 972 |
| Councillors | 2 854 681 | 2 833 336 | 2 854 681 | 2 833 336 |
| | **7 647 044** | **7 387 193** | **7 647 044** | **7 387 193** |

**In-kind benefits**

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at less than a market related rate. The Executive Mayor has use of a Council owned vehicle for official duties.

### 28. Fair value adjustments

| | | | | |
|---|---|---|---|---|
| Biological assets - (Fair value model) | 1 288 184 | (371 385) | 1 288 184 | (246 109) |

### 29. Depreciation and amortisation

| | | | | |
|---|---|---|---|---|
| Property, infrastructure and equipment | 136 238 527 | 131 453 920 | 134 907 798 | 126 647 365 |
| Intangible assets | 2 462 070 | 887 451 | 2 396 621 | 887 451 |
| | **138 700 597** | **132 341 371** | **137 304 419** | **127 534 816** |

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 30. Impairment of assets

| | | | | |
|---|---|---|---|---|
| **Impairments** | | | | |
| Property, infrastructure and equipment | 915 163 | 16 419 725 | 589 848 | 16 419 725 |
| Land and buildings and infrastructure and equipment were revalued to determine the fair value and the recoverable amount. Some assets subject to this revaluation, returned assets that had fair values substantially less than the carrying value, thus indicating that such assets had been impaired. Accordingly, such impairment was recognised immediately to bring the previously reported carrying values to the fair value/recoverable amount. | | | | |
| Intangible assets | 3 956 | - | - | - |
| Software was revalued to determine the fair value and the recoverable amount. Some assets subject to this revaluation, returned assets that had fair values substantially less than the carrying value, thus indicating that such assets had been impaired. Accordingly, such impairment was recognised immediately to bring the previously reported carrying values to the fair value/recoverable amount. | | | | |
| | **919 119** | **16 419 725** | **589 848** | **16 419 725** |

### 31. Gains or losses on biological assets

| | | | | |
|---|---|---|---|---|
| Net gains arising from a change in fair value less point of sale costs | - | 2 010 290 | - | 2 010 290 |
| Cost of sale | (2 188 762) | (744 235) | (1 081 823) | (744 235) |
| Various Assets | - | 197 392 | - | - |
| Cost of sale | - | (152 769) | - | - |
| | **(2 188 762)** | **1 310 678** | **(1 081 823)** | **1 266 055** |

### 32. Finance costs

| | | | | |
|---|---|---|---|---|
| Finance leases | 99 485 | 18 967 | 79 147 | 18 967 |
| Bank | 253 039 | 98 768 | 21 503 | - |
| Late payment of P.A.Y.E. | 347 347 | - | 347 347 | - |
| | **699 871** | **117 735** | **447 997** | **18 967** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 33. Auditors' remuneration

| | | | | |
|---|---|---|---|---|
| Fees | 4 402 274 | 3 261 351 | 2 582 703 | 1 924 700 |

### 34. Bulk purchases

| | | | | |
|---|---|---|---|---|
| Water | 43 796 106 | 23 318 010 | 43 796 106 | 23 318 010 |

### 35. Contracted services

| | | | | |
|---|---|---|---|---|
| Cleaning Services | 249 807 | - | 249 807 | - |
| Security Services | 5 780 755 | 3 352 057 | 5 705 494 | 3 345 244 |
| | **6 030 562** | **3 352 057** | **5 955 301** | **3 345 244** |

### 36. Grants and subsidies paid

| | | | | |
|---|---|---|---|---|
| Ntinga O.R. Tambo Development Agency * | 5 108 773 | - | 81 805 211 | 67 674 976 |
| Municipal support ** | 11 829 721 | 11 398 621 | 305 277 | 4 059 056 |
| Support to Traditional Authorities | 518 854 | 286 096 | 518 854 | 286 096 |
| | **17 457 348** | **11 684 717** | **82 629 342** | **72 020 128** |

* Ntinga O.R. Tambo Development Agency is an entity of the municipality responsible for the Economic Development objectives of the municipality. Accordingly and as a means to enable it to fulfil its mandate, it is the recipient of allocated grant funding from the District Municipality.

** The District Municipality supported three of its municipalities namely: Mhlontlo Local Municipality, Ingquza Hill Local Municipality and Port St Johns Local Municipality.

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

## 37. Cash generated from operations

| | | | | |
|---|---|---|---|---|
| Surplus | 111 307 914 | 7 612 838 | 107 184 589 | 203 941 |
| **Adjustments for:** | | | | |
| Depreciation and amortisation | 138 700 597 | 132 341 371 | 133 936 997 | 127 534 816 |
| Proceeds from insurance | (11 750) | | (11 750) | |
| Gain on disposal of biological assets | - | (1 310 365) | - | (1 266 055) |
| Net fair value gain on biological assets | (225 969) | - | - | - |
| Movement in biological assets | 1 464 233 | - | - | - |
| Fair value adjustments | - | (716 238) | 839 942 | (841 514) |
| Finance costs - Finance leases | - | - | 447 998 | - |
| Impairment deficit | 919 119 | 16 420 038 | 589 848 | 16 419 725 |
| Impairment of receivables | 40 907 888 | - | 40 729 832 | - |
| Movements in operating lease assets and accruals | (65 733) | - | - | - |
| Movements in other receivables | (383 756) | - | - | - |
| Movements in provisions | (26 652) | - | - | - |
| Interest earned | - | - | 8 373 489 | - |
| Other non-cash items | (12 775 561) | (3 758 627) | (34 657 688) | - |
| VAT received | - | - | 11 266 949 | - |
| **Changes in working capital:** | | | | |
| Inventories | 5 692 358 | (2 119 773) | 5 685 455 | (2 094 510) |
| Other receivables from non-exchange transactions | - | 1 816 246 | - | 1 805 798 |
| Consumer debtors | (48 673 122) | 47 304 043 | (48 494 077) | 47 304 043 |
| Obligations under transfer arrangements | - | (1 198 532) | - | (1 198 532) |
| Trade and other payables from exchange transactions | 104 936 298 | 29 262 597 | 105 517 306 | 23 292 693 |
| VAT receivable | (11 548 777) | 16 041 760 | (9 309 241) | 16 304 805 |
| Conditional grants and receipts | (61 032 283) | (7 840 626) | (51 680 114) | (7 840 626) |
| Consumer deposits | 182 197 | 2 100 | 182 197 | 2 100 |
| Current portion of finance lease liability | - | (457 213) | - | (6 811) |
| Operating liability | - | (667) | - | - |
| | **269 378 751** | **233 398 952** | **270 601 732** | **219 619 873** |

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 38. Capital commitments

#### 38.1Commitments in respect of capital expenditure

| | | | | |
|---|---|---|---|---|
| **Approved and contracted for** | | | | |
| • Infrastructure | 251 287 213 | 53 215 781 | 251 287 213 | 53 215 781 |
| • Community | - | 4 385 919 | - | 4 385 919 |
| • Other | 18 278 597 | 24 299 015 | 15 439 844 | 23 100 000 |
| | **269 565 810** | **81 900 715** | **266 727 057** | **80 701 700** |
| **Approved but not yet contracted for** | | | | |
| • Infrastructure | 458 973 070 | 663 296 633 | 458 973 070 | 663 296 633 |
| • Other | - | 4 222 032 | - | - |
| | **458 973 070** | **667 518 665** | **458 973 070** | **663 296 633** |

This committed expenditure relates to property and will be financed by as indicated below.

| | | | | |
|---|---|---|---|---|
| **This expenditure will be financed from** | | | | |
| • Government grants | 713 099 036 | 725 119 365 | 710 260 283 | 720 898 333 |
| • Own resources | 15 439 844 | 24 299 015 | 15 439 844 | 23 100 000 |
| | **728 538 880** | **749 418 380** | **725 700 127** | **743 998 333** |

#### 38.2 Operating leases - as lessee (expense)

| | | | | |
|---|---|---|---|---|
| **Minimum lease payments due** | | | | |
| - within one year | 408 854 | 148 955 | - | - |
| - in second to fifth year inclusive | (474 587) | 139 569 | - | - |
| | **(65 733)** | **288 524** | **-** | **-** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 39. Contingencies

**Contingent liabilities**

| **Nature of claim** | | | | |
|---|---|---|---|---|
| Claim for damages arising from cancellation of a contract - Wild Coast Guards | 3 320 136 | | 3 320 136 | |
| Unpaid cession - Kwinda Constructions CC | 187 981 | | 187 981 | |
| Employment dispute | 2 000 000 | | 2 000 000 | |
| Motor vehicle accident claim | 200 000 | | 200 000 | |
| Damages on underground cables | 73 940 | | 73 940 | |
| Payment for alleged acting allowance and promotion - not quantified | - | | - | |
| Damages to underground cables | 34 587 | | 34 587 | |
| Damages to underground cables | 80 887 | | 80 887 | |
| Damages to underground cables | 72 042 | | 72 042 | |
| Damages for breach of contract | 3 536 830 | | 3 536 830 | |
| Claim for professional services rendered - Ajax Project Management CC | 71 336 | | 71 336 | |
| The municipality is being sued for grievious bodily harm arising from assault by fellow employees on duty. The municipality is contesting the claim. | 100 000 | | 100 000 | |
| Claim for damage to underground telecommunications cables | 143 439 | | 143 439 | |
| Order for cleaning of property flooded by sewerage - not quantified | - | | - | |
| The municipality is being sued for failure to report a deceased employee to the provident fund for payment of proceeds. The municipality is contesting the claim. | 407 626 | | 407 626 | |
| The municipality is being sued for damages on the property. The municipality is contesting the claim. | 100 000 | - | 100 000 | - |
| | **10 328 804** | | **10 328 804** | |

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

## 40. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- entities that are directly or indirectly controlled by the municipality;
- key management personnel, and close members of the family of key management personnel;
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004. Details of loans, together with the conditions thereof, granted prior to this date are disclosed below.

| | |
|---|---|
| **Relationships** | |
| Accounting Officer | Refer to accounting officers' report |
| Controlled entity | O.R. Tambo Ntinga Development Agency * |
| **Members of key management** | |
| Ncube M (Mr) | Acting Municipal Manager |
| Somana T (Mrs) | Strategic Director: Planning and socio-Econ.Dev |
| Nogaga T (Mr) | Strategic Director: Corporate affairs |
| Madikzela P (Mr) | Political Advisor to Executive Mayor |
| Moleko M (Mr) | Chief Financial Officer |
| Mbantani N (Ms) | Chief Operations Officer |
| Mbiko L (Mr) | Director - Internal Audit |
| Tseane T (Mrs) | Council Secretary |
| Ndabeni N (Mrs) | Acting Director - Office of the Executive Mayor |

* The Agency (an Association incorporated under Section 21 of the Companies Act, Act No. 61 of 1973) established by the District Municipality to promote and implement sustainable Local Economic Development through a myriad of initiatives, programs and projects throughout the District. By its nature therefore, in turn the Agency has a number of stand alone and semi-stand alone projects and entities which they themselves become related parties to the District Municipality in their own right.

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |
| **40. Related parties (continued)** | | | | |
| **Related party transactions** | | | | |
| **Grants paid to related parties** | | | | |
| Ntinga O.R. Tambo Development Agency | | | 81 805 211 | 67 674 976 |
| Expenditure of farm operations | | | 2 187 769 | 6 518 893 |
| **Amounts owing to related parties** | | | | |
| Ntinga O.R. Tambo Development Agency | | | - | 363 816 |

## 41. Accounting Officers' emoluments

No emoluments were paid to the accounting officers during the year.

## 42. Prior period errors

**Recognition of investment property**

Vacant land located in Port St Johns was previously recognised as part of property, plant and equipment. The land was obtained in June 2008 for R8 791 167 and had a fair value of R2 100 000 and R2 200 000 on 30 June 2009 and 30 June 2010 respectively. The land has retrospectively been reclassified as investment property under the fair value model.

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

| | Economic entity | Municipality |
|---|---|---|
| **Reconciliation of carrying value: Municipality 2009** | | |
| Decrease in property, plant and equipment | (2 100 000) | (2 100 000) |
| Cost | (8 791 167) | (8 791 167) |
| Accumulated impairment | 6 691 167 | 6 691 167 |
| Increase in investment property | 2 100 000 | 2 100 000 |
| **Statement of financial performance** | | |
| Increase in fair value loss on investment property | (6 691 167) | (6 691 167) |
| Decrease in impairment loss | 6 691 167 | 6 691 167 |
| **Correction of errors** | | |
| Refund for over deducted rentals | (5 000) | (5 000) |
| Adjustment of customer's accounts | 61 220 | 61 220 |
| Omitted farms assets on FAR | 4 900 000 | 4 900 000 |
| Depreciation of omitted assets | (183 750) | (183 750) |
| Reversal of duplicated vehicles | (1 027 270) | (1 027 270) |
| Depreciation of omitted assets | 1 688 913 | 1 688 913 |
| Reversal of misallocation in prior years | 847 628 | 847 628 |
| Recognition of infrastructure assets not accounted for | 58 286 004 | 58 286 004 |
| Correction of misallocation between funds | 3 285 | 3 285 |
| Recognition of expenditure not transferred to funds | 63 090 | 63 090 |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 42. Prior period errors (continued)

| | | | | |
|---|---|---|---|---|
| Accounting for withdrawals not accounted for | 1 019 687 | | 1 019 687 | |
| Overstatement of depreciation on property, infrastructure and equipment | (123 892) | | - | - |
| Correction of property, infrastructure and equipment included in FAR | 13 337 | | - | - |
| Sundry income not raised | (60 000) | | - | - |
| Impairment on equipment not recorded | (648) | | - | - |
| Petty cash incorrectly allocated | 7 842 | | - | - |
| Incorrect accruals raised | (54 480) | | - | - |
| Legal case withdrawn | (22 931) | | - | - |
| Correction of deferred income incorrectly raised | (5 596 899) | | - | - |
| Other | 657 507 | | - | - |
| | **60 473 643** | | **65 653 807** | |

### 43. Comparative figures

Certain comparative figures have been reclassified where necessary to conform with the current year's presentation. Public contributions and donations of R1 600 000 have been reclassified from other income to a separate line item in the statement of financial performance. Impairment loss of R16 419 725 has been included in expenditure.

Provisions of R19 427 288 have been reclassified to trade and other payables as these are by nature accruals and not provisions.

Other reserves (Government grant reserve) of R34 291 598 has been reclassified to accumulated surplus as GRAP does not permit fund accounting.

The effects of the reclassification are as follows:

| | | | | |
|---|---|---|---|---|
| **Impact on statement of financial performance - other income** | | | | |
| Other income as previously reported | - | 71 773 796 | - | 58 561 480 |
| Reclassified to public contributions | - | (1 600 000) | - | (1 600 000) |
| Income reclassified | - | 1 087 623 | - | 1 087 623 |
| | **-** | **71 261 419** | **-** | **58 049 103** |
| **Impact on statement of financial performance - Expenditure** | | | | |
| Expenses as previously reported | - | 975 294 475 | - | 967 533 773 |
| Impairment loss | - | 16 419 725 | - | 16 419 725 |
| Other | - | 23 | - | - |
| | **-** | **991 714 223** | **-** | **983 953 498** |

**44. Risk management Financial**

**risk management**

**Objectives, policies and processes for managing risks**

The Council has overall responsibility for the establishment and oversight of the economic entity’s risk management framework. The economic entity’s audit committee oversees the monitoring of compliance with the economic entity’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the economic entity. The audit committee is assisted in its oversight role by the municipality's internal audit function.

These risks include the following:

- credit risk;
- liquidity risk; and
- market risk (interest rate risk).

The economic entity seeks to minimise the effects of these risks in accordance with the economic entity’s policies approved by the Council. The economic entity does not enter into or trade in financial instruments for speculative purposes.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of only dealing with creditworthy counterparties to the extent possible and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Potential concentrations of credit rate risk consist mainly of trade receivables, other receivables and cash and cash equivalents.

Trade receivables comprise of a large number of consumer debtors, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these customers.

Trade receivables are presented net of an allowance for impairment and where appropriate, credit limits are adjusted.

In the case of customers whose accounts become in arrears, it is endeavoured to collect such accounts by levying penalty charges, issuing demands for payment, restricting service and handing customers over for collection, whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.

Financial assets which expose the municipality to credit risk at year end were as follows:

| Financial instrument | Economic entity - 2010 | Economic entity - 2009 | | |
|---|---|---|---|---|
| Cash and cash equivalents | 79 144 917 | 89 682 296 | 64 977 393 | 72 630 558 |
| Trade and other receivables | 14 811 451 | 7 046 217 | 14 810 462 | 7 046 217 |

### 44. Risk management (continued)

These balances represent the maximum exposure to credit risk.

**Liquidity risk**

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Council has the ultimate responsibility for liquidity risk management, and has established an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and cash flow requirements.

The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the muncipality's revenue or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change, since the previous financial year, to the muncipality's exposure to market risks or the manner in which it manages and measures the risk.

Market risk consists of the following risks:

**Interest rate risk**

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

As the economic entity has no significant interest-bearing assets, the economic entity's revenue and operating cash flows are substantially independent of changes in market interest rates.

Interest rate risk on bank overdrafts is deemed to be insignificant as the exposure is assessed to be limited.

### 45. Events after the reporting date

No material fact or circumstance has occured between the accounting date and the date of this report.

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 46. Fruitless and wasteful expenditure

**Reconciliation of fruitless and wasteful expenditure**

| | | | | |
|---|---|---|---|---|
| Fruitless and wasteful expenditure - current year | 1 105 | 251 777 | 610 | 202 318 |
| Condoned or written off by Council | (495) | (49 459) | - | - |
| Fruitless and wasteful expenditure awaiting condonement | - | - | (610) | - |
| | **610** | **202 318** | **-** | **202 318** |

2010 - Incidents and disiplinary steps/criminal proceedings:

Penalties and interest on late submission of P.A.Y.E. return, total penalties incurred amount to R347 347

2009 - Incidents and disiplinary steps/criminal proceedings:

Penalties and interest on late submission of P.A.Y.E. return, total penalties incurred amount to R184 752.

Erroneous salary payments were made to two deceased employees and one retired employee for an average period of two months after the fact. The total amount involved was R17 566.

Interest of R247 was incurred as a result of late payment of monthly rental payable.

Interest and penalties amounting to R49 192 were incurred in respect of Workmens Compensation.

### 47. Irregular expenditure

| | | | | |
|---|---|---|---|---|
| Opening balance | - | - | - | - |
| Irregular Expenditure - current year | - | - | - | - |
| Amounts condoned or written off by Council | - | - | - | - |
| Transfer to receivables for recovery - not condoned | - | - | - | - |
| Irregular expenditure awaiting condonement | - | - | - | - |
| | **-** | **-** | **-** | **-** |

### 48. Additional disclosure in terms of Municipal Finance

**Management Act Contributions to organised local government**

| | | | | |
|---|---|---|---|---|
| Opening balance | - | - | - | - |
| Current year amount | 1 090 314 | 1 139 534 | 1 090 314 | 1 139 534 |
| Amount paid - current year | (1 090 314) | (1 139 534) | (1 090 314) | (1 139 534) |
| | **-** | **-** | **-** | **-** |

# Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

## 48. Additional disclosure in terms of Municipal Finance Management Act

### (continued) Material losses

| | | | | |
|---|---|---|---|---|
| Total value of material losses in respect of water supply | 60 608 849 | 27 842 313 | 60 608 849 | 27 842 313 |

As a water supplying authority, the municipality will inevitably incur customary water distribution losses, which occur in any water distributing municipality. These losses are due to burst water pipes, faulty water reticulation infrastructure and water evaporation. Further to these standard water losses, the municipality also suffered a further loss as a result of supplied water that was however not billed. Lastly as part of the developmental objectives of the municipality in line with prescriptions by National Government, the municipality also provided free basic water to urban based residents and free water to rural based communities in the form of public tapwater services and water cartage services.

**Calculated water consumption:**

| **Pre 2009 Schemes** | **RDP Service level** | **Higher than RDP** | **RDP Service level** | **Higher than RDP** |
|---|---|---|---|---|
| Population (2010) | 731 594 | 382 921 | 731 594 | 382 921 |
| l/person/day | 25 | 260 | 25 | 260 |
| l/day | 18 289 949 | 99 559 461 | 18 289 949 | 99 559 461 |
| kl/yr | 6 675 795 | 36 339 203 | 6 675 795 | 36 339 203 |
| | - | - | | |
| **New Schemes** | | | | |
| Population served | 39 402 | - | 39 402 | - |
| l/person/day | 25 | - | 25 | - |
| l/day | 985 050 | - | 985 050 | - |
| kl/yr | 359 543 | - | 359 543 | - |

| **Total kl/year** | | | | **Grand total** |
|---|---|---|---|---|
| Pre 2009 Schemes | | 43 014 998 | | 43 014 998 |
| New Schemes | | 359 543 | | 359 543 |
| | | **43 374 541** | | **43 374 541** |

| **Water losses** | | | | |
|---|---|---|---|---|
| Treatment losses | | 13 012 363 | 30% | 13 012 363 |
| Conveyance losses | | 4 337 454 | 10% | 4 337 454 |
| | **-** | **17 349 817** | **40** | **17 349 817** |

## Notes to the Consolidated Financial Statements

| | Economic entity | | Municipality | |
|---|---|---|---|---|
| Figures in Rand | 2010 | 2009 | 2010 | 2009 |

### 48. Additional disclosure in terms of Municipal Finance Management Act (continued) Audit fees

| | | | | |
|---|---|---|---|---|
| Opening balance | 1 843 | 1 025 061 | 1 843 | 300 693 |
| Current year audit fee | 4 402 619 | 3 562 046 | 2 580 860 | 2 225 395 |
| Amount paid - current year | (4 386 341) | (3 560 203) | (2 566 770) | (2 223 552) |
| Amount paid - previous years | (1 843) | (1 025 061) | (1 843) | (300 693) |
| | **16 278** | **1 843** | **14 090** | **1 843** |

Balance is included in payables.

**PAYE and UIF**

| | | | | |
|---|---|---|---|---|
| Opening balance | (910) | (226) | (910) | (418) |
| Current year audit fee | 26 075 729 | 26 471 486 | 21 807 798 | 21 971 538 |
| Amount paid - current year | (25 732 981) | (26 471 068) | (21 807 798) | (21 971 120) |
| Amount paid - previous years | - | (192) | - | - |
| | **341 838** | **-** | **(910)** | **-** |

Balance is included in payables.

**Pension and Medical Aid Deductions**

| | | | | |
|---|---|---|---|---|
| Opening balance | 166 563 | (2 138) | - | 1 335 |
| Current year payroll deductions and Council Contributions | 29 982 061 | 28 550 667 | 28 042 835 | 26 494 326 |
| Amount paid - current year | (29 977 667) | (28 384 104) | (28 038 441) | (26 494 326) |
| Amount paid - previous years | (166 563) | 2 138 | - | (1 335) |
| | **4 394** | **166 563** | **4 394** | **-** |

Balance is included in payables.

**VAT**

| | | | | |
|---|---|---|---|---|
| VAT receivable | 15 594 349 | 4 409 388 | 12 441 566 | 3 132 325 |
| VAT payable | - | 363 816 | - | - |
| | **15 594 349** | **4 773 204** | **12 441 566** | **3 132 325** |

VAT output payables and VAT input receivables are shown in note 10.

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

### 48. Additional disclosure in terms of Municipal Finance Management Act (continued) Councillors' arrear consumer accounts

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

| 30 June 2010 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|---|---|---|---|
| Councillor M.N. Mvanyashe | 2 515 | 164 | 2 679 |
| Councillor Jwacu | 4 939 | 326 | 5 265 |
| Councillor | 3 567 | 567 | 4 134 |
| Councillor H.S.Tayi | 718 | 151 | 869 |
| Councillor S.Ndabeni | 5 283 | 365 | 5 648 |
| Councillor M.J. Ndamase | 3 178 | 760 | 3 938 |
| Councillor F.N. Soldita | 7 123 | 700 | 7 823 |
| Councillor J.P.Gwadiso | 8 258 | 669 | 8 927 |
| Councillor T.Luvela | 147 | 1 101 | 1 248 |
| | **35 728** | **4 803** | **40 531** |

| 30 June 2009 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
|---|---|---|---|
| Councillor J.P. Gwadiso | 487 | 6 116 | 6 603 |
| Councillor F.N. Soldati | 461 | 4 965 | 5 426 |
| Councillor M.J. Ndamase | 675 | 3 730 | 4 405 |
| Councillor S Ndabeni | 309 | 3 913 | 4 222 |
| Councillor B.N. Tobo | 129 | 918 | 1 047 |
| Councillor Jwacu | 159 | 4 075 | 4 234 |
| Councillor M.N. Mvanyashe | 120 | 1 916 | 2 036 |
| | **2 340** | **25 633** | **27 973** |

**Supply chain management regulations**

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

| **Incident** | | | | |
|---|---|---|---|---|
| Expenditure in emergency situations | 5 256 529 | 2 852 193 | 5 256 529 | 2 852 193 |
| Expenditure in respect of single service providers | 27 581 883 | 935 751 | 25 496 000 | 509 751 |
| | **32 838 412** | **3 787 944** | **30 752 529** | **3 361 944** |