THABO MOFUTSANYANA DISTRICT MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2010

General Information

Legal form of entity	District Municipality (DC 19)
Mayoral committee	
Executive Mayor	Her Majesty Queen Mathokoana
Councillors	Mr David Lengoabala
	Mr. WR Ndlebe
	Mr. LJ Lemako
	Mr. N Mopeli
	Mr. CJ Makhoba
	Ms. NM Mosupa
	Ms. SM Moleleki
	Mr MJ Tshabalala
	Ms. AM Nthedi (Speaker)
	Mr PH Motsoeneng (Chief Whip)
Grading of local authority	Grade 11
Accounting Officer	Matiro Rebecca Ellen Mogopodi Appointed - 14 June 2010
Acting Chief Finance Officer (CFO) -	Ellen Ntombizodwa Mtimkulu Appointed - 1 November 2009
Administrator	Sekhothe Cornelius Polelo
Registered office	1 Mampoi Street Old Parliament Building Witsieshoek 9870
Business address	1 Mampoi Street Old Parliament Building Witsieshoek 9870
Postal address	Private Bag X810 Witsieshoek 9870
Auditors	The Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the Provincial Legislature:

Abbreviations

COGTA	Department of Cooperative Governance and Traditional Affairs (Free State)
CDF	Capital Development Fund
MEC	Member of Executive Council
IT	Information Technology
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
LED	Local Economic Development
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
PIMSS	Planning Implementation Management Support Structures
VAT	Value Added Tax
MMC	Member of Mayoral Committee
MFMA	Municipal Finance Management Act

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MIG	Municipal Infrastructure Grant (Previously CMIP)
PT	Provincial Treasury (Free State)
RSC	Regional Service Council Levies
IFRS	International Financial Reporting Standards

Administrator's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and adopted for the first time during the period ended 30 June 2010.

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

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

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

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

The municipality is wholly dependent on the Government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Government of the Republic has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the administrator is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 53, which have been prepared on the going concern basis, were approved by the administrator on 31 August 2010.

Sekhothe Cornelius Polelo
Provincial appointed administrator

Statement of Financial Position

	Note(s)	2010 R	2009 R Restated
Assets			
Current Assets			
Receivables from non-exchange transactions	7	7 212	11 945
Sundry receivables	6	2 430 182	1 431 078
VAT receivable	8	11 104 308	5 369 284
Cash and cash equivalents	9	10 930 290	17 562 429
		24 471 992	**24 374 736**
Non-Current Assets			
Property, plant and equipment	4	7 324 553	6 749 813
Intangible assets	5	120 811	33 461
		7 445 364	**6 783 274**
Non-Current Assets		7 445 364	6 783 274
Current Assets		24 471 992	24 374 736
Total Assets		**31 917 356**	**31 158 010**
Liabilities			
Current Liabilities			
Finance lease obligation	10	674 578	669 114
Operating lease liability		9 300	-
Trade and other payables	12	39 815 051	16 621 461
Unspent conditional grants and receipts	11	2 135 429	1 552 617
		42 634 358	**18 843 192**
Non-Current Liabilities			
Finance lease obligation	10	1 366 126	2 024 024
Non-Current Liabilities		1 366 126	2 024 024
Current Liabilities		42 634 358	18 843 192
Total Liabilities		**44 000 484**	**20 867 216**
Assets		31 917 356	31 158 010
Liabilities		(44 000 484)	(20 867 216)
Net Assets		**(12 083 128)**	**10 290 794**
Net Assets			
Accumulated (deficit) / surplus		(12 083 128)	10 290 794

Statement of Financial Performance

	Note(s)	2010 R	2009 R Restated
Revenue			
Government grants & subsidies	14	56 757 752	66 488 920
Proceeds for sale of assets		40 000	266 140
Sundry income		800	24 525
Assets for no consideration		-	631 416
Interest received - investment	21	1 316 562	3 301 058
Total Revenue		**58 115 114**	**70 712 059**
Expenditure			
Personnel	18	(31 771 334)	(29 852 065)
Finance costs	22	(962 513)	(310 804)
Debt impairment	20	(23 503)	(14 070 507)
Repairs and maintenance		(1 277 586)	(70 218)
General Expenses	16	(46 454 099)	(72 122 337)
Total Expenditure		**(80 489 035)**	**(116 425 931)**
Revenue		58 115 114	70 712 059
Expenditure		(80 489 035)	(116 425 931)
Other		-	-
Deficit for the year		**(22 373 921)**	**(45 713 872)**

Statement of Changes in Net Assets

	Changes in accounting policies (GRAP) R	Prior period errors restated R	Legacy adjustments R	Total adjustments R	Accumulated surplus R	Total net assets R
Balance at 01 July 2008	**-**	**-**	**-**	**-**	**9 464 423**	**9 464 423**
Changes in net assets						
Surplus for the year	-	-	-	-	(45 713 874)	(45 713 874)
Total changes	-	-	-	-	(45 713 874)	(45 713 874)
Opening balance as previously reported					(36 249 452)	(36 249 452)
Adjustments						
Prior year adjustments	7 934 561	15 888 187	22 717 498	46 540 246	46 540 246	46 540 246
Balance at 01 July 2009 as restated	**-**	**-**	**-**	**-**	**10 290 794**	**10 290 794**
Changes in net assets						
Deficit for the year	-	-	-	-	(22 373 922)	(22 373 922)
Total changes	-	-	-	-	(22 373 922)	(22 373 922)
Balance at 30 June 2010	**-**	**-**	**-**	**-**	**(12 083 128)**	**(12 083 128)**

Note(s)

Cash flow statement

	Note(s)	2010 R	2009 R Restated
Cash flows from operating activities			
Receipts			
Grants		57 339 790	68 041 537
Interest income		1 316 562	3 301 058
Other receipts		40 800	290 665
		58 697 152	71 633 260
Payments			
Employee costs		(20 047 529)	(28 642 658)
Interest and penalties		(721 182)	-
Other payments		(43 004 727)	(73 931 536)
		(63 773 438)	(102 574 194)
Total receipts		58 697 152	71 633 260
Total payments		(63 773 438)	(102 574 194)
Net cash flows from operating activities	24	**(5 076 286)**	**(30 940 934)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(574 739)	(3 678 995)
Proceeds from sale of property, plant and equipment	4	-	380 030
Purchase of other intangible assets	5	(87 350)	(18 536)
Net cash flows from investing activities		**(662 089)**	**(3 317 501)**
Cash flows from financing activities			
Finance lease payments		(893 764)	2 382 335
Net decrease in cash and cash equivalents		**(6 632 139)**	**(31 876 100)**
Cash and cash equivalents at the beginning of the year		17 562 429	49 438 529
Cash and cash equivalents at the end of the year	9	**10 930 290**	**17 562 429**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 2 "Changes in accounting policy" which have been adopted retrospectively for the first time for the 30 June 2010 reporting period.

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 GRAP3 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 Statement of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such statements issues by the Accounting Practices Board.

1.1 Use of estimates and judgements

In preparation of annual 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 experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making 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 the accounting policies that have the most significant effect on the amount recognised in the annual financial statements as well as assumptions and estimations uncertainties that have a significant risk of resulting in a material adjustments within the next financial year.

Receivables from non-exchange transactions

The municipality assesses its receivables from non-exchange transactions for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets and intangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Provisions

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

Impairment of receivables

On debtors an impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash

1.1 Use of estimates and judgements (continued)

flows discounted at the effective interest rate, computed at initial recognition.

1.2 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

When an item of property, plant 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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows for the current and previous reporting periods:

Item	**Average useful life**
Plant and machinery	3 years
Furniture and fixtures	7 years

1.2 Property, plant and equipment (continued)

Motor vehicles	5 years
IT equipment	5 years

The residual value, and the useful life and depreciation method of each asset 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.

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

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

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

Transitional provision

Per note 2 "Change in accounting policy", the municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 4.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

1.3 Intangible assets (continued)

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

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

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

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

Item	**Useful life**
Computer software	3 years

Transitional provision

Per note 2 " Changes in accounting policy", the municipality changed its accounting policy for intangible assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in note 5. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in note 5.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

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

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

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

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

1.4 Financial instruments (continued)

Regular way purchases of financial assets are accounted for at settlement date.

Impairment of financial assets

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

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

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

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

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

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand 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 recorded at fair value and subsequently measured at amortised cost.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.4 Financial instruments (continued)

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

1.5 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 - lessee

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

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

Operating leases - lessee

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

1.6 Employee benefits

Short-term employee benefits

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

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

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 performance.

Liabilities for short term employees benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay for the service and had accumulated at the reporting date.

Defined contribution plans

Accounting Policies

1.6 Employee benefits (continued)

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

The municipality contributes to various national-and-provincial administered defined benefit plans on behalf of it's qualifying employees. These funds are multi-employer plans and are accounted for as defined contributions plans as there is no consistent and reliable basis available for accounting the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirements benefits are expensed in the year it becomes payable. These multi employer funds are actuarially valued on a national or provincial level. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

1.7 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingencies are disclosed in note 26.

1.8 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.8 Revenue from exchange transactions (continued)

Sale of goods

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

Interest received

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

Interest is recognised, in surplus or deficit, on a time-proportion basis using the effective interest method

1.9 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another party without directly giving approximately equal value in exchange, or gives value to another party without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality 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 reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a

1.9 Revenue from non-exchange transactions (continued)

liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.10 Comparative figures

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

The municipality has adopted the full GRAP accounting standards for the first time during the 2010 financial period and comparative figures were restated to conform to the changes in accounting policies (see note 2 "Changes in accounting policy").

1.11 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of the allocation received from another sphere of goverment, municipality or organ of state and expenditure in the form of grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

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

1.12 Fruitless and wasteful expenditure

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

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

1.13 Irregular expenditure

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

- (a) this Act; or
- (b) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

Accounting Policies

1.14 Presentation of currency

These annual financial statements are presented in South African Rand. All financial information has been rounded to the nearest Rand

1.15 Offsetting

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

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

1.16 Conditional grants and receipts

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

1.17 Going concern

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

Notes to the Annual Financial Statements

	2010 R	2009 R Restated

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

- Significant judgments and sources of estimations uncertainty
- Property plant and equipment
- Intangible assets
- Financial instruments
- Trade and other receivables
- Leases
- Employee benefits
- Provisions and contingencies
- Revenue from exchange transactions
- Revenue from non-exchange transactions
- Unauthorised expenditure
- Fruitless and wasteful expenditure
- Irregular expenditure
- Use of estimates
- Conditional grants and receipts

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

Statement of financial position

	2010	2009
Property, plant and equipment		
Adjustment - increase	-	6 749 813
Intangible assets		
Adjustment - increase	-	33 461
Finance leases		
Adjustment - increase	-	(2 693 138)
Unspent conditional grants		
Previously stated	-	(783 440)
Adjustment - increase	-	(769 177)
	-	**(1 552 617)**
Provisions		
Previously stated	-	(2 790 741)
Adjustment - decrease	-	2 790 741
	-	**-**
Capital development fund reserves		
Previously stated	-	(6 079 311)
Adjustment - decrease	-	6 079 311
	-	**-**
Cash and cash equivalents		
Previously stated	-	1 230 539
Adjustment - increase	-	16 331 890
	-	**17 562 429**

Notes to the Annual Financial Statements

	2010 R	2009 R
2. Changes in accounting policy (continued)		
Short term investments		
Previously stated	-	16 271 774
Adjustment - decrease	-	(16 271 774)
	-	**-**
Opening retained earnings		
Previously stated - accumulated deficit	-	10 146 279
Adjustment - decrease	-	(7 934 561)
	-	**2 211 718**
Statement of financial performance		
Interest expense		
Adjustment - increase	-	310 804
Department of Transport Grant		
Previously stated	-	(2 000 000)
Adjustment - decrease	-	447 383
	-	**(1 552 617)**
Municipal Infrastructure Grants received		
Previously stated	-	16 585 560
Adjustment - increase	-	783 440
	-	**17 369 000**

Notes to the Annual Financial Statements

	2010 R	2009 R

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

GRAP 13: Leases

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

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

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

The following Directives also need to be considered:

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

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

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

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

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

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

GRAP 14: Events after the reporting date

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

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

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

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

Notes to the Annual Financial Statements

	2010	2009
	R	R

3. New standards and interpretations (continued)

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

GRAP 17: Property, Plant and Equipment

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

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

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

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

The following Directives also need to be considered:

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

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

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

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

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

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

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from

3. New standards and interpretations (continued)
payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

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

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

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

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

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

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

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

GRAP 102: Intangible Assets

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

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

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

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

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

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

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

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

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

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

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future

3. New standards and interpretations (continued)
economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

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

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

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

IPSAS 21: Impairment of Non Cash-Generating Assets

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

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

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

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

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

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

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

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

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

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

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

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

3.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

Notes to the Annual Financial Statements

	2010	2009
	R	R

3. New standards and interpretations (continued)

notes.

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

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

The effective date of the standard is for years beginning on or after 01 April 2010.

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

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

3.3 Standards and interpretations issued, but not yet effective

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

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.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, 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.

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

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

Notes to the Annual Financial Statements

	2010 R	2009 R

3. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality 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 municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;

3. New standards and interpretations (continued)

- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

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

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

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

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 municipality and a financial liability or residual interest in another municipality. 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 municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or

Notes to the Annual Financial Statements

	2010 R	2009 R

3. New standards and interpretations (continued)
loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:
- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishments of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishments of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

	2010 R	2009 R

3. New standards and interpretations (continued)

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

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

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

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

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

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

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

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

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation; IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through surplus or deficit or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

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

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

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through surplus or deficit category if certain stringent conditions are met. It also permits an entity to transfer from the available-for-sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

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

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

	2010	2009
	R	R

3. New standards and interpretations (continued)

municipality's operations.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

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 municipality. 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 municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

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

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

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

The effective date of the standard is for years beginning on or after 01 April 2010.

Notes to the Annual Financial Statements

	2010 R	2009 R

3. New standards and interpretations (continued)

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

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

	2010 R	2009 R

4. Property, plant and equipment

	2010			2009		
				Restated	Restated	Restated
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Plant and machinery	3 787 705	(649 443)	3 138 262	3 764 061	(649 443)	3 114 618
Furniture and fixtures	2 992 156	(1 512 041)	1 480 115	2 869 818	(1 512 041)	1 357 777
Motor vehicles	1 707 741	(265 361)	1 442 380	1 707 741	(265 361)	1 442 380
IT equipment	1 942 637	(678 841)	1 263 796	1 513 879	(678 841)	835 038
Total	**10 430 239**	**(3 105 686)**	**7 324 553**	**9 855 499**	**(3 105 686)**	**6 749 813**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Plant and machinery	3 114 618	23 643	3 138 261
Furniture and fixtures	1 357 777	122 338	1 480 115
Motor vehicles	1 442 380	-	1 442 380
IT equipment	835 038	428 758	1 263 796
	6 749 813	**574 739**	**7 324 552**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Total
Plant and machinery	135 150	2 980 504	(1 036)	3 114 618
Furniture and fixtures	1 035 077	360 613	(37 913)	1 357 777
Motor vehicles	1 762 387	-	(320 007)	1 442 380
IT equipment	518 234	337 878	(21 074)	835 038
	3 450 848	**3 678 995**	**(380 030)**	**6 749 813**

Assets subject to finance lease (Net carrying amount)

Plant and machinery	2 652 452	2 652 452

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain property, plant and equipment with a carrying value of R 7 324 553 (2009: R 6 749 813) are recognised at provisional amounts. Due to amounts being carried at provisional values no depreciation were provided on assets. Depreciation will be provided retrospectively upon valuation and correct measurements of the assets. The carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to initial adoption of GRAP 17

Plant and machinery	3 138 262	3 114 618
Furniture and fixtures	1 480 115	1 357 777
Motor vehicles	1 442 380	1 442 380
IT equipment	1 263 796	835 038

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for

Notes to the Annual Financial Statements

	2010 R	2009 R

4. Property, plant and equipment (continued)
inspection at the registered office of the municipality.

5. Intangible assets

	2010			2009		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Computer software	282 863	(162 052)	120 811	195 513	(162 052)	33 461

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Total
Computer software	33 461	87 350	120 811

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Total
Computer software, other	14 925	18 536	33 461

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain intangible assets with a carrying value of R 120 811 (2009: R 33 461) was recognised at provisional amounts. Due to amounts being carried at provisional values no amortisation were provided on intangible assets. Amortisation will be provided retrospectively upon valuation and correct measurements of intangible assets Carrying amounts of intangible assets carried at provisional amounts are as follows:

Due to initial adoption of GRAP 102

	2010	2009
Computer software	120 811	33 461

The date at which full compliance with GRAP 102 is expected, is 30 June 2012.

6. Sundry receivables

	2010	2009
Operating lease prepayment	13 427	-
Sundry debtors	430 344	20 400
Suspense account - unidentified payment	304 143	304 143
Seconded councillor's salaries overpayments	1 611 620	1 070 734
Councillors overpayments	91 048	35 801
Impairment	(20 400)	-
	2 430 182	**1 431 078**

Suspense accounts - unidentified payments

Payment relates to a transaction against the bank account and cashbook on the 14 May 2009. No supporting documentation can be traced to identify the nature and the depositors of these payments processed.

Sundry receivables impaired

As of 30 June 2010, sundry receivables with a carrying amount of R 2 430 182 (2009: R 1 431 078) were impaired and provided for.

Notes to the Annual Financial Statements

	2010 R	2009 R

6. Sundry receivables (continued)

The amount of the provision was R 20 400 as of 30 June 2010 (2009: R -).

The ageing of these receivables is as follows:

	2010	2009
3 to 6 months	2 085 239	1 431 078
Over 6 months	324 543	-

7. Receivables from non-exchange transactions

	2010	2009
RSC Levies	49 087 074	49 088 705
Impairment	(49 079 862)	(49 076 760)
	7 212	**11 945**

Receivables from non-exchange transactions impaired

As of 30 June 2010, other receivables from non-exchange transactions with a carrying value of R 7 212 (2009: R 11 945) were impaired and provided for.

The amount of the impairment was R 49 079 862 as of 30 June 2010 (2009: R 49 076 760).

The ageing of these receivables is as follows:

	2010	2009
Over 12 months	49 087 074	49 088 705

8. VAT receivable

	2010	2009
VAT	11 104 308	5 369 284

The municipality accounts for the VAT on the cash basis.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2010	2009
Bank balances	6 164 983	1 230 539
Short-term deposits	4 765 307	16 331 890
	10 930 290	**17 562 429**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2010	**30 June 2009**	**30 June 2008**	**30 June 2010**	**30 June 2009**	**30 June 2008**
ABSA BANK - Cheque Account - 770-150-841	6 129 983	1 229 548	15 585 811	6 164 983	1 230 539	15 585 811
ABSA BANK - Call Account - 921-300-0832	610 492	600 440	-	610 492	600 440	-
ABSA BANK - Fixed Deposit Account - 206-206-4985	1 177 950	9 423 557	22 584 174	1 177 950	9 423 557	22 584 174
FNB BANK - Fixed Deposit Account - 622-4699-7110	2 976 864	6 307 893	11 390 162	2 976 864	6 307 893	11 390 162
Total	**10 895 289**	**17 561 438**	**49 560 147**	**10 930 289**	**17 562 429**	**49 560 147**

Notes to the Annual Financial Statements

	2010 R	2009 R

10. Finance lease obligation

	2010 R	2009 R
Minimum lease payments due		
- within one year	674 578	669 114
- in second to fifth year inclusive	1 366 126	2 024 024
Present value of minimum lease payments	**2 040 704**	**2 693 138**
Non-current liabilities	1 366 126	2 024 024
Current liabilities	674 578	669 114
	2 040 704	**2 693 138**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 to 5 years and the average effective borrowing rate was10% to 15.5% (2009:10 to 15.5%).

Interest rates are linked to primerate at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note4.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2010 R	2009 R
Unspent conditional grants and receipts		
COGTA - Operation Hlasela	1 000 000	-
COGTA - Finance Department Support Grant	1 000 000	-
Department of Transport - Rural Development	7 014	1 552 617
Municipal System Improvements Grant (MSIG)	128 415	-
	2 135 429	**1 552 617**

Movement during the year

	2010 R	2009 R
Balance at the beginning of the year	1 552 617	-
Additions during the year	2 735 000	2 000 000
Income recognition during the year	(2 152 188)	(447 383)
	2 135 429	**1 552 617**

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

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

See note for reconciliation of grants from National/Provincial Government

12. Trade and other payables

	2010 R	2009 R
Trade payables	6 865 281	1 752 653
Employees cost	5 577 315	1 277 498
Accrued leave pay	2 927 454	1 721 128
Accrued bonus	1 031 950	994 378
South African Revenue Services - Employees taxes	5 499 041	431 728
Unallocated deposit - RSC Levies	1 507 676	1 492 099
Councillors salaries under payments	19 905	19 905
Legal fees - RSC levies	16 386 429	8 932 072
	39 815 051	**16 621 461**

Notes to the Annual Financial Statements

	2010 R	2009 R

12. Trade and other payables (continued)

Unallocated deposits relates to RSC levy receipts received from unidentified levy payers. These amount's are to be transferred to the municipal attorney to be held in trust until all legal matters pending between the RCS levy payers association and the municipality are resolved.

13. Revenue

	2010 R	2009 R
Government grants & subsidies	56 757 752	66 488 920
The amount included in revenue arising from non-exchange transactions is as follows:		
Government grants & subsidies	56 757 752	66 488 920

Notes to the Annual Financial Statements

	2010 R	2009 R

14. Government grants and subsidies

Equitable Share	53 417 390	47 302 537
Municipal Infrastructure Grant	-	17 369 000
Department of Public Works Programmes	438 173	-
Department of Transport	1 545 604	447 383
Local Government Sector Educational Training Authority	-	135 000
Finance Management Grant	750 000	500 000
Municipal Systems Improvement Grant	606 585	735 000
	56 757 752	**66 488 920**

Municipal Infrastructure Grant

Balance unspent at beginning of year	17 908 572	14 858 455
Current-year receipts	-	17 369 000
Conditions met - transferred to expenditure	(16 041 640)	(14 318 883)
Roll over unspent funds	**1 866 932**	**17 908 572**

The municipality has applied GAMAP 9 with consideration to GRAP 23 in the treatment of MIG funds received. These grants are recognised as grants received in the Statement of Financial Performance as and when received. The conditions and restrictions imposed on these grants have being performed and the current unspent funds rolled over in to the 2011 financial period are committed to projects currently in progress.

COGTA - Operation Hlasela

Current-year receipts	1 000 000	-

Conditions still to be met - remain liabilities (see note 11).

Funds to be utilised in the mobilisation of the community under the Operation Clean Audit 2014 (Operation Hlasela) programmes

COGTA - Finance Support Grant

Current-year receipts	1 000 000	-

Conditions still to be met - remain liabilities (see note 11).

Appointment of service provider to assist and provide financial and day- to- day accounting support within the finance department.

Department of Transport

Balance unspent at beginning of year	1 552 617	-
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	(1 545 603)	(447 383)
	7 014	**1 552 617**

Conditions still to be met - remain liabilities (see note 11).

The project deliverable (Maken Foot Bridge) is still under construction.

Notes to the Annual Financial Statements

	2010 R	2009 R

14. Government grants and subsidies (continued)

Municipal System Improvement Grant (MSIG)

Current-year receipts	735 000	735 000
Conditions met - transferred to revenue	(606 585)	(735 000)
	128 415	**-**

Conditions still to be met - remain liabilities (see note 11).

Shortfall in spending in improvements to municipal systems and infrastructure.

15. Other revenue

Proceeds from sale of assets	40 000	266 140
Sundry income	800	24 525
Assets for no consideration	-	631 416
	40 800	**922 081**

Assets for no consideration relates to assets received as in kind a donation.

16. General expenses

Advertising	278 613	195 840
Auditors remuneration	2 119 552	731 552
Bank charges	24 714	25 689
Cleaning	295 430	310 714
Computer and programming expenses	1 996 412	79 429
Consulting and professional fees	13 109 286	16 669 695
Consumables	36 802	-
Debt collection	614 035	524 728
Entertainment	152 122	518 150
Insurance	117 417	177 235
Community development project	1 195 995	2 483 786
Conferences and seminars	-	62 210
Lease rentals on operating lease	99 300	87 058
Marketing and promotions	381 140	564 155
Magazines, books and periodicals	5 387	-
Motor vehicle expenses	566 861	497 059
Fuel and oil	50 238	59 299
Placement fees	11 061	29 772
Postage and courier	1 471	748
Printing and stationery	269 015	497 659
Ceremonial and business functions	-	397 869
Research cost	249 145	753
Security (Guarding of municipal property)	500 000	592 600
Software and IT related expenses	1 800	120 000
Subscriptions and membership fees	260 708	298 352
Telephone and fax	843 453	953 526
Training	251 825	1 207 672
Travel - local	1 504 005	1 966 389
Travel - overseas	-	911 348
Tourism development	805 198	1 145 254
Staff team building	-	55 371
Mayoral Special Projects	3 120 082	23 675 581
Infrastructure projects expenditure	17 592 507	16 804 241
Public participation	525	478 603
	46 454 099	**72 122 337**

Notes to the Annual Financial Statements

	2010 R	2009 R

17. Operating deficit

Operating deficit for the year is stated after accounting for the following:

	2010 R	2009 R
Mayoral special projects		
Multicultural Village	-	342 107
HIV/AIDS awareness and programmes	175 025	17 750
Farming communities	-	1 910 941
Mayoral special intervention programmes	1 554 082	11 620 931
Bursary funds	303 814	720 195
Youth advisory centres	272 978	2 338 711
Sport development programmes	150 345	1 692 765
Youth participation	230 189	313 593
SMME development	23 145	316 120
Gender and disability	-	66 628
Schools programmes	-	349 043
Poverty alleviation	367 544	3 538 015
Churches programme	42 960	448 782
	3 120 082	**23 675 581**
Infrastructure projects expenditure		
Zamani Sewer Reticulation	4 069 082	515 323
Zamani Oxidation Ponds	5 020 084	-
Marquard Road Paving	101 883	1 022 739
Phumelela Youth Advisory Centre	-	394 312
Warden District Fire Station	1 107 605	2 850 019
Tshiame Sport Facility	1 331 845	7 753 669
Memel Hall	-	616 341
Maken Foot Bridge	1 545 604	447 383
Arlington Road Paving	4 416 404	3 204 455
	17 592 507	**16 804 241**
Community development projects		
Stand pipes and connection	63 916	478 707
Road and storm water	515 374	877 193
Golden Gate interventions	362 114	-
Water and sanitation	254 592	1 127 886
	1 195 996	**2 483 786**
Consulting and professional fees		
Legal fees	12 269 243	16 128 243
Consulting - accounting services	510 125	-
Consulting - asset management	127 709	-
Consulting - payroll services	202 209	541 452
	13 109 286	**16 669 695**

Notes to the Annual Financial Statements

	2010 R	2009 R

18. Employee related costs

Basic	22 284 387	20 225 893
Bonus	1 031 951	935 385
Medical aid - company contributions	1 465 369	1 563 296
Unemployment Insurance Fund	134 103	230 606
Skills Development Levy	180 607	30 862
Other payroll levies	12 117	15 719
Leave pay provision charge	110 000	-
Post-employment benefits - Pension	2 300 273	2 513 591
Car allowance	2 932 316	3 041 477
Housing benefits and allowances	965 690	935 397
Cellphone allowances	354 521	359 839
	31 771 334	**29 852 065**

Remuneration of municipal manager - MP Moloi

Annual Remuneration	203 443	610 330
Car Allowance	56 000	168 000
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	10 571	27 563
Cellphone	8 000	24 000
Other	1 338	5 752
	279 352	**835 645**

Mr MP Moloi terminated his services with the municipality on the 30 September 2009.

Remuneration of chief finance officer - Mr MR Mpakane

Annual Remuneration	30 000	360 000
Car Allowance	20 000	240 000
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	1 777	3 597
Leave payout	110 765	-
	162 542	**603 597**

Mr MR Mpakane terminated his services with the municipality on 31 October 2009.

Remuneration of executive manager LED & Tourism - Mr IV Moloi

Annual Remuneration	-	187 147
Car Allowance	-	48 000
Contributions to Unemployment Insurnance Fund, Medical and Pension Funds	-	74 559
Cellphone	-	2 400
Leave payout	-	110 765
Back pay	-	6 667
	-	**429 538**

Mr IV Moloi terminated his services with the municipality on the 31 January 2009.

	2010 R	2009 R

18. Employee related costs (continued)

Remuneration of executive manager Corporate Services - Mr NL Masoka

	2010 R	2009 R
Annual Remuneration	-	5 538
Car Allowance	-	2 462
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	-	125
Leave payout	-	19 999
	-	**28 124**

Mr NL Masoka terminated his services with the municipality on the 07 July 2008.

Remuneration of executive manager Community Services - Ms TPM Lebenya

	2010 R	2009 R
Annual Remuneration	440 000	400 000
Car Allowance	160 000	160 000
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	5 435	3 673
Back pay	-	6 667
	605 435	**570 340**

Remuneration of acting executive manager Corporate Services - Ms NF Malatjie

	2010 R	2009 R
Annual Remuneration	225 036	-
Non pensionable allowance	4 704	-
Annual Bonuses	17 107	-
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	69 952	-
Back pay	2 224	-
Overpayment	(2 694)	-
Acting allowance	284 903	-
	601 232	**-**

Ms NF Malatjie employed as the Organisational Development and Employee Wellness Head was appointed as the Acting Corporate Services Manager from 01 August 2009.

Acting Chief Financial Officer - Ms EN Mtimkulu

	2010 R	2009 R
Annual Remuneration	319 415	-
Non Pensionable Allowance	6 612	-
Annual Bonuses	26 568	-
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	124 145	-
Cellphone	7 200	-
Overpayment	(6 137)	-
Acting Allowance	140 261	-
	618 064	**-**

Ms EN Mtimkulu employed as the internal auditor at the municipality was appointed as the Acting Chief Financial Officer from the 01 November 2009.

Notes to the Annual Financial Statements

	2010 R	2009 R

18. Employee related costs (continued)

Acting Executive Manager LED and Tourism - Mr B Mphahlele

	2010 R	2009 R
Annual Remuneration	364 793	-
Car Allowance	109 438	-
Housing Allowance	1 200	-
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	104 425	-
Cellphone	12 000	-
Annual Bonus	30 642	-
Other	4 460	-
	626 958	**-**

Mr B Mphahlele appointed as the manager of infrastructure was appointed as the Acting Executive Manager to LED and Tourism on 01 May 2010. No acting allowance is paid to him as he falls into the remuneration bracket of a full time executive manager.

Remuneration Acting Executive Manager Governance - Mr T Motaung

	2010 R	2009 R
Annual Remuneration	316 289	-
Car Allowance	94 887	-
Annual Bonuses	26 568	-
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	6 572	-
Back Pay	3 126	-
Non Pensionable Allowance	6 612	-
Acting Allowance	85 985	-
	540 039	**-**

Mr T Motaung was appointed as the Acting Executive Manager Governance on the 01 April 2010.

Municipal Manager - Ms MRE Mogopodi

	2010 R	2009 R
Annual Remuneration	27 000	-
Car Allowance	11 250	-
Housing Allowance	3 150	-
Contributions to Unemployment Insurance Fund, Medical and Pension Funds	516	-
Other	3 599	-
	45 515	**-**

Ms MRE Mogopodi was appointed as the Municipal Manager and commenced her term of employment on the 14 June 2010.

19. Remuneration of councillors

	2010 R	2009 R
Executive Major - Her Majesty Queen Mathokoana	619 936	457 155
Chief Whip - Mr PH Motsoeneng	447 937	419 915
Speaker - Ms AM Nethedi	479 858	422 159
Mayoral Committee Members	3 621 728	3 139 072
Councillors	1 409 519	1 111 326
Seconded councillor's overpayments - to be recovered	(540 886)	(483 923)
Councillors overpayments - Goverment Gazette	(55 247)	(35 801)
Councillors underpayments - Goverment Gazette	-	19 905
	5 982 845	**5 049 808**

Notes to the Annual Financial Statements

	2010 R	2009 R

19. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor and Mayoral Committee Members are full-time Councillors. They are provided with an office and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council vehicle for official duties and is assigned a designated driver.

20. Impairment of receivables

	2010 R	2009 R
Contributions to doubtful debt provision	23 503	14 070 507

The provision for the period ended 2009 relates to outstanding RSC levies raised in 2006. RSC levies was abolished by the South African government and the current recoverability of this debt is partly dependent on a court ruling.

21. Investment revenue

	2010 R	2009 R
Interest revenue		
Bank	1 316 562	3 301 058
	-	-
	1 316 562	3 301 058

The amount included in investment revenue arising from non-exchange transactions amounted to R 1 316 562.

22. Interest and penalties

	2010 R	2009 R
Finance leases	241 331	310 804
Interest and penalties - South African Revenue Services	721 182	-
	962 513	**310 804**

23. Auditors' remuneration

	2010 R	2009 R
Fees	2 119 552	731 552

24. Cash used in operations

	2010 R	2009 R
Deficit	(22 373 922)	(45 713 874)
Adjustments for:		
Finance costs - Finance leases	241 331	310 804
Impairment of receivables	23 503	14 070 507
Movements in operating lease assets and accruals	9 300	-
Changes in working capital:		
Sundry receivables	(999 105)	(844 266)
Other receivables from non-exchange transactions	4 733	(11 275 533)
Sundry receivables	(23 503)	-
Trade and other payables	23 193 589	14 972 752
VAT	(5 735 024)	(4 013 941)
Unspent conditional grants and receipts	582 812	1 552 617
	(5 076 286)	**(30 940 934)**

Notes to the Annual Financial Statements

	2010 R	2009 R

25. Commitments

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	129 000	-
- in second to fifth year inclusive	178 200	-
	307 200	**-**

Operating lease payments represents rentals payable by the municipality for the premises at 154 Cambridge Street, Bethlehem, Free State.

The lease was negotiated for a period of 3 years. The rentals escalate at 10% on an annual basis. Currently monthly rentals repayments are R11400 including VAT.

The municipality has the option of renewing the lease for a further period of 3 years at the end of the current lease period on the same terms and conditions as the original lease agreement, at a rental to be agreed upon amongst the parties on termination of the current lease agreement. Should the lessee not give the lessor notice of his intention not to exercise the said option by registered post, not later than 6 months before expiry of the first period of the lease, the option will be deemed to have been automatically renewed on a month to month basis.

	2010 R	2009 R

26. Contingencies

RSC levy payers association vs Municipality

The municipality has a contingent liability of R50 million as a result of a legal dispute between the municipality and levy rate payers. The background and details of this contingent liability are provided below.

According to the now abolished RSC Levies Act all entities doing business within the jurisdiction of the District Municipality must pay levies to that municipality. This legislation was terminated on 30 June 2006, and the 13 555 levy payers had until 30 June 2008 to settle their outstanding levies.

During 2007/08, the municipality appointed Podbielski Mhlambi Inc attorneys to assist with the levies debt collection of the amount owed by rate payers. The RSC legislation stipulated that the amount to be recovered should be calculated as a percentage of the levy payer's revenue and salaries cost.

The total value of these levy debtors (both registered and unregistered) was originally estimated at R49 million before impairment (refer note 7).

Some of the levy rate payers opposed the method of calculation of the levies in court and the municipality lost the first case. The municipality is currently preparing its case for application for leave to appeal the previous Court judgment, which is due to commence on 27 August 2010. Should the municipality be unsuccessful in their appeal, it is estimated that legal costs of R50 million will be payable to the attorneys acting for the levy payers. An accurate valuation and possible outcome cannot be determined due to the unique nature of the case.

Additional details on the legal fees incurred and paid to date as well as levy debtors recovered are provided below.

To date only R4,3 million was recovered from levy rate payers by Podbielski Mhlambi Inc and an additional R1.5 million was paid directly to the municipality. The total levy debtors amount recovered to date is therefore R5.8 million. The legal fee billed to date is R36 million of which R19 million has been paid to Podbielski Mhlambi Inc attorneys.

The reconciliation below shows the legal fees billed and paid and debt collection to date per financial year.

Financial year	Legal fees billed	Legal fees paid	Legal fees outstanding	Debt collection to date**
2008	8 119 438	(2 053 725)	6 065 713	801 174
2009	13 856 566	(10 990 207)	2 866 360	2 376 879
2010	13 951 488	(6 500 000)	7 454 357	1 195 207
Total	35 927 492	(19 543 932)	16 386 429	4 373 260

***Debt collection to date excludes the additional amount of R1.5 million paid directly to the municipality*.

The outstanding legal fees of R16 386 428.76 has being raised as a liability (refer note 13). The municipality estimates that a further R10 million in legal fees to its attorneys, Podbielski Mhlambu will be incurred to bring all the matters to completion.

MSMM Attorneys vs Municipality

The municipality has a contingent liability of R3 223 112 as a result of a legal dispute between the municipality and MSMM Attorneys. The background and details of this contingent liability are provided below.

MSMM attorneys have issued summons for an amount of R3 223 112 against the municipality. According to MSMM Attorneys this amount is for legal services they rendered for collecting outstanding levy debt for the municipality based on their arrangement with Thakangoaga Investment CC. The municipality has appointed Podbielki Mhlambi Inc attorneys to defend the matter.

When the legislation on RSC levies was terminated on 30 June 2006, the municipality appointed Thakangoaha Investments CC in November 2007 to identify the outstanding levy payers and recover the outstanding levies due to the municipality. For

	2010 R	2009 R

26. Contingencies (continued)

this purpose, Thakangoaha appointed MSMM Attorneys to take the necessary legal action against these outstanding levy payers. Thakangoaha was to receive R150 for each of the then 13 000 outstanding cases, and also 20% of the total amount to be recovered from the levy payers.

As at February 2008, in an attempt to recover outstanding levies, MSMM issued 6 000 summons to levy payers. The municipality received numerous counter claims from levy payers. According to levy payers, summons issued did not comply with legal requirements. The municipality then sought legal opinion, which confirmed that summons issued did not comply with legal requirements.

MSMM Attorneys are now suing the municipality for not paying fees for legal services rendered by them based on instruction from Thakangoaha Investment CC. The municipality will defend this R3 223 112 claim by MSMM Attorneys based on legal advice received. It is expected that the court hearing for this matter will take place early 2011.

The municipality estimates to incur legal cost of R150 000 to defend the above matter.

Warden resident vs Municipality

The municipality has a contingent liability of R300 000 as a result of a legal dispute between the municipality and a Warden resident. The background and details of this contingent liability are provided below.

A Warden resident is suing the municipality for an amount of R300 000. The resident’s house burnt down and he had no household insurance. There is no fire station in Warden, and therefore the resident had to phone the fire station in Harrismith. Warden is +/- 80km from Harrismith, the fire truck did not arrive in time to extinguish the fire and the house burned down. The damage to his house and household content is estimated to be R300 000. There are no details available about the cause of this fire.

The Warden resident is holding the municipality accountable for the loss of his house and the household content due to non existence of a fire station in Warden. According to the Warden resident, the municipality is responsible for providing disaster recovery services and they have failed to provide such a service to Warden residents. The court date for this matter is still pending and it is likely to sit during 2011.

The municipality estimates to incur R150 000 in legal cost to defend the above matter.

Infrastructure Finance Corporation vs Municipality

The municipality has a contingent liability of R2 million as a result of a legal dispute between the municipality and Infrastructure Finance Corporation. The background and details of this contingent liability are provided below.

The municipality purchased copiers from Nashua Bethlehem. Nashua Bethlehem erroneously made use of two financing houses to finance the purchase of these office machines. Subsequently the municipality paid both financing houses for these copiers. It was only after a year that they realised payments were being made in duplicate. The municipality stopped all payments (to both financing houses) after the fraudulent nature of the transaction was discovered.

Podbielski Mhlambi Inc was appointed by the municipality and identified that the one financing house produced falsified documentation. The copiers delivered to the municipality also differed from the goods purchased as per the supporting documentation. It was later determined that the goods delivered were stolen goods.

The Municipality instructed it attorney to recover the overpayment from the financing house and it was established that they have been liquidated. The Municilpality's attorney advised the municipality not to attempt recovering the over payments as there were no sufficient funds available in the estate.

Infrastructure Finance Corporation is suing the municipality for the outstanding payments, which amount to R2 millon.

The Municipality is currently defending the matter in the Free State High Court. It’s expected that it will probably proceed to trial early 2011. It is expected that a further R300 000 legal costs will be incurred to bring this matter to completion.

Notes to the Annual Financial Statements

	2010 R	2009 R

26. Contingencies (continued)

Housing guarantees

A contingent liability exists for the municipality to pay the guarantee amount in the event of the employee not being able to settle their bond / default on payment.

The Municipality has provided housing guarantee's to the employees listed below. The maximum amount each qualifying employee may receive is R85 000.

Name of employee	Effective date	Guarantee amount
Mazibuko Mwelase	25/05/2005	85 000
Mollo Ngobese	22/03/2006	85 000
Motloung Mohoabadi	04/10/2006	85 000
Moloi Khesa	25/05/2005	85 000
Motloung Sylvia	30/01/2007	85 000
Moloi Materonko	08/10/2002	65 000
Mthombeni Sthembiso	01/10/2004	70 000
Dusse Ronald	01/07/2006	85 000
Majoro Matsiliso	01/07/2006	85 000
Maringa Robert	01/07/2006	85 000
Swart Pierre	01/07/2006	85 000
Viljoen Johannes	01/07/2006	85 000
Du toit Pieter	01/07/2006	85 000
Malan M.P	01/07/2006	85 000
Oosthuizen Corrie	01/07/2006	85 000
Mani Koahela	01/07/2009	85 000
Tankiso Talane	01/07/2009	85 000
	Total guarantees issued	1 410 000

Notes to the Annual Financial Statements

	2010 R	2009 R

27. Related parties

Relationships	Supplier
Member of Close Corporation	Mol Procon cc

The former Municipal Manager,Mr MP Moloi was appointed as a Member to Mol Procon cc on 17 September 2009 per CIPRO database. He had resigned from the municipal employment on 31 October 2009. All contracts awarded to Mol Procon cc were concluded prior 17 September 2009.

Related party transactions

Consulting and Construction fees paid to related parties	2010 R	2009 R
Mol Procon cc	7 377 668	1 950 754

28. Prior period balances restatement

Prior period balances were restated due to the following

- Prior period errors identified and restated
- Changes in accounting policies (IMFO accounting standards to GRAP)
- Legacy transaction identified and carried forward from period prior 01 July 2008 were no supporting documentation could be established/located. Legacy transactions/balances identified were corrected/restated in accordance to guidelines received from National Treasury.

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

Statement of financial position	**Restated 30 June 2009**	**30 June 2009**
Property, plant and equipment	6 749 813	-
Intangible Asset	33 461	-
Short term investments	-	16 271 744
Trade debtors from non exchange transaction	11 954	13 816 160
Sundry debtors	1 431 078	-
Cash and cash equivalents	17 562 429	1 230 539
Provisions	(1 721 128)	(2 790 741)
Finance lease - short term portion	(669 114)	-
Unconditional grants	(1 552 517)	-
Trade and other payables from non exchange transaction	(13 905 955)	(32 594 699)
Finance lease obligations	(2 024 024)	-
Opening Accumulated (Surplus)/Deficit	(11 285 172)	10 146 279
Capital development fund	-	(6 079 311)

Statement of financial performance	**Restated 30 June 2009**	**30 June 2009**
Grants received	(66 488 920)	(67 548 762)
Interest received	(3 301 058)	(3 360 709)
Remuneration - employees	24 802 257	21 173 657
Remuneration - councillors	5 049 808	3 966 788
Finance charges	310 804	-
Municipal Infrastructure Grants - project expenditure	16 804 241	16 585 560
Mayoral special projects	23 675 581	27 464 727
General expenses	46 094 044	20 107 397

Notes to the Annual Financial Statements

	2010	2009
	R	R

29. Risk management

Financial risk management

The municipality’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Liquidity risk

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

Interest rate risk

The municipality’s interest rate risk arises from Finance lease liabilities.Finance leases issued at variable rates expose the municipality to cash flow interest rate risk. During 2010 and 2009, the municipality’s borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Finance leases	10.00 %	830 689	680 548	680 548	170 137	-

Credit risk

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

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

Financial instrument	2010	2009
ABSA Bank - Cheque Account	6 129 983	1 229 548
ABSA Bank - Call account	610 492	600 440
ABSA Bank - Fixed Deposit	1 177 950	9 423 557
First National Bank - Fixed Deposit	2 976 864	6 307 893

30. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated deficits of R 11 051 178 and that the municipality's total liabilities exceed its assets by R 11 051 178.

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

31. Events after the reporting date

Submission and payment of outstanding employee taxes

Subsequent to reporting date, all outstanding employee taxes returns have been submitted to the South African Revenue Services and taxes withheld by the municipality paid with the exception of the interest and penalties charged. The municipality intends to negotiate with the South African Revenue Services for a more favourable interest charge and the waiver of the penalties raised.

Submission of outstanding VAT returns

Subsequent to reporting date, all outstanding VAT returns were submitted to the South African Revenue Services. The municipality awaits the final assessment of the returns submitted and the refunds owing thereof.

Notes to the Annual Financial Statements

	2010 R	2009 R

32. Unauthorised expenditure

Opening balance	20 111 047	3 218 157
Unauthorised expenditure identified	64 265 827	16 892 890
	84 376 874	**20 111 047**

Management performed a review of transactions and identified the above to be unauthorised expenditure.

A special Council sitting is set to address the unauthorised expenditure identified by management.

33. Fruitless and wasteful expenditure

Opening balance	3 632 545	-
Fruitless and wasteful expenditure	33 173 904	3 632 545
Less: amounts recoverable - not condoned **	(1 702 667)	-
	35 103 782	**3 632 545**

Management performed a review of transactions and identified the above to be fruitless and wasteful expenditure.

** Amounts recoverable and not condoned by the municipality relates to the overpayment of councillors salaries.

A special Council sitting is set to address the fruitless and wasteful expenditure identified by management.

34. Irregular expenditure

Opening balance	88 198 758	29 658 898
Add: Irregular expenditure identified - current year	32 352 667	58 539 860
Less: Amounts recoverable - not condoned **	(1 702 667)	-
	118 848 758	**88 198 758**

Details of irregular expenditure – current year

	Details	
Procurement of professional services - Valuation rolls	Procurement process not followed according to supply chain management policy	1 650 000
Procurement of legal services	Deviation from procurement process	29 000 000
Overpayment of councillors salaries	Deviation from Treasury guidelines	1 702 667
		32 352 667

Notes to the Annual Financial Statements

	2010 R	2009 R

34. Irregular expenditure (continued)

Details of irregular expenditure

	Details	
Procurement of Mayoral vehicle	Deviation from supply chain management policy	620 000
Installation of vegetable tunnels	Amount paid in excess to signed agreement without adequate authorisation	620 778
Asset management	Deviation from supply chain management policy	122 950
Transactions with no quotations	Non compliance to supply chain management policy	11 972 976
Transaction with less than three quotations	Non compliance to supply chain management policy	16 942 193
Payment vouchers not properly authorised	Non compliance to MFMA	25 277 665
No tax clearance certificates obtained	Non compliance to supply chain management policy	10 608 527
Quotations not obtained	Non compliance to supply chain management policy	5 008 983
Tender processes not followed	Deviation from supply chain management policy	12 005 212
Payments vouchers not authorised	Non compliance to supply chain management policy	5 019 474
		88 198 758

Details of irregular expenditure recoverable (Condoned)

Overpayment of councillors salaries	1 702 667

35. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2010	2009
Net deficit per the statement of financial performance	(22 373 922)	(45 713 874)
Adjusted for:		
Impairments recognised	23 503	14 070 507
Assets for no consideration	-	(631 416)
Net deficit per approved budget	**(22 350 419)**	**(32 274 783)**

36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2010	2009
Opening balance	83 592	(11 246)
Current year subscriptions	212 984	327 198
Amount paid - current year	-	(232 360)
Amount paid - previous years	(83 592)	-
	212 984	**83 592**

Material losses through criminal conduct

The municipality incurred no material losses through criminal conduct during the reporting period.

Audit fees

	2010	2009
Opening balance	-	731 552
Current year fee	69 205	-
Prior year fees	2 119 552	-
Amount paid - previous years	(2 119 552)	(731 552)
	69 205	**-**

Notes to the Annual Financial Statements

	2010 R	2009 R

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

PAYE and UIF

	2010 R	2009 R
Opening balance	333 760	-
Current year subscription / fee	3 973 457	3 931 243
Amount paid - current year	-	(3 597 483)
	4 307 217	**333 760**

Pension and Medical Aid Deductions

	2010 R	2009 R
Opening balance	134 079	-
Current year subscription / fee	1 698 502	1 541 468
Amount paid - current year	(1 555 995)	(1 407 389)
Amount paid - previous years	(134 079)	-
	142 507	**134 079**

VAT

	2010 R	2009 R
VAT receivable	11 104 308	5 369 284

Outstanding VAT returns for the the period under review were submitted to the South African Revenue Services subsequent to balance sheet date .

37. Actual operating expenditure versus budgeted operating expenditure

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

38. Actual capital expenditure versus budgeted capital expenditure

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

39. Deviation from supply chain management regulations

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

Property/Rates valuation roll was procured during the financial year under review and the process followed in procuring this service deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were considered, documented and subsequently approved by the former accounting officer.

40. Municipal office occupation

The Municipal head office situated at 1 Mampoi Street, Old Parliament Building, Witsieshoek is leased from the Free State, Department of Public Works for no rental consideration.

41. Provincial Goverment Intervention

In terms of Provincial Executive Council Cabinet minute 7.4 of 4 November 2009, the Free State Legislature appointed Mr S.C Polelo to act as on behalf of the Provincial Executive Council as the administrator for the Municipality with effect from 9 November 2009. The Executive Council further agreed that the administrator be assisted by:

- Mr. B Molotsi (CEO of the Free State Liquor Board)

- Ms. Ntombi Mthimkulu (Acting CFO)

On 6 November, the MEC for COGTA arrived at the municipality and at a special Council meeting, presented a memorandum indicating that the municipality be place under section 139(1)(b) of the Constitution of the Republic of South Africa,1996 (Act

	2010	2009
	R	R

41. Provincial Goverment Intervention (continued)

No. 108 of 1996).

At 30 June 2010 the municipality continued to operate as a Municipality under section 139 and will continue to until the Provincial Executive Council is satisfied that the Municipality's Council is ready and able to perform their duties, obligations and functions.

Appendix A

Thabo Mofutsanyana District Municipality: Schedule of External Loans as at 30 June 2010

	2009/10	Balance at 30 June 2009	Additions	Redeemed during the period	Balance at 30 June 2010	Carrying value of Asset at 30 June 2010
		R	R	R	R	R
	LEASE LIABILITY					
L01	KX-TDA Panasonic telephone system	(270 561)	-	128 246	(142 315)	317 617
L02.01	Kyocera KM C2525E full colour copier	(244 770)	-	48 258	(196 512)	236 339
L02.02	Kyocera KM C2525E full colour copier	(310 343)	-	61 186	(249 157)	299 653
L02.03	Kyocera KM C3232 full colour copier	(337 560)	-	66 552	(271 008)	325 933
L02.04	Riso HC 5500	(629 293)	-	124 069	(505 223)	607 616
L02.05	Riso HC 5500	(629 293)	-	124 069	(505 223)	607 616
L02.06	Kyocera KM3060	(166 925)	-	32 910	(134 015)	161 176
L02.07	Samsung CLX3160FN Multi functional copier	(25 623)	-	5 052	(20 571)	24 740
L03.01	Aficio 1224L (P/Copier)	(53 169)	-	53 169	-	70 115
L03.02	CL 3000N	(1 325)	-	1 325	-	1 648
	TOTAL EXTERNAL LOANS	(2 668 861)	-	644 837	(2 024 024)	2 652 452

	2008/09	Balance at 30 June 2008	Additions	Redeemed during the period	Balance at 30 June 2009	Carrying value of Asset at 30 June 2009
		R	R	R	R	R
	LEASE LIABILITY					
L01	KX-TDA Panasonic telephone system	-	(362 083)	91 523	(270 561)	317 617
L02.01	Kyocera KM C2525E full colour copier	-	(269 427)	24 656	(244 770)	236 339
L02.02	Kyocera KM C2525E full colour copier	-	(341 604)	31 262	(310 343)	299 653
L02.03	Kyocera KM C3232 full colour copier	-	(371 563)	34 003	(337 560)	325 933
L02.04	Riso HC 5500	-	(692 683)	63 390	(629 293)	607 616
L02.05	Riso HC 5500	-	(692 683)	63 390	(629 293)	607 616
L02.06	Kyocera KM3060	-	(183 740)	16 815	(166 925)	161 176
L02.07	Samsung CLX3160FN Multi functional copier	-	(28 204)	2 581	(25 623)	24 740
L03.01	Aficio 1224L (P/Copier)	(109 101)	-	55 932	(53 169)	70 115
L03.02	CL 3000N	(2 473)	-	1 148	(1 325)	1 648
	TOTAL EXTERNAL LOANS	(111 574)	(2 941 986)	384 699	(2 668 861)	2 652 452

APPENDIX B

THABO MOFUTSANYANA DISTRICT MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2010

2010	COST				ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Disposals	Closing Balance 2010	Opening Balance	Depreciation	Disposals	Closing Balance 2010	Carrying Value
	R	R		R	R	R		R	
Assets									
Propery, plant and equipment	988 030	23 643	-	1 011 673	(525 864)	-	-	(525 864)	485 809
Computer hardware	1 513 879	428 768	-	1 942 647	(678 841)	-	-	(678 841)	1 263 806
Furniture and fittings	2 869 818	122 338	-	2 992 156	(1 512 041)	-	-	(1 512 041)	1 480 115
Vehicles	1 707 741	-	-	1 707 741	(265 361)	-	-	(265 361)	1 442 380
Finance lease equipment	2 776 031	-	-	2 776 031	(123 579)	-	-	(123 579)	2 652 452
Total	9 855 499	574 749	-	10 430 248	(3 105 686)	-	-	(3 105 686)	7 324 562

2009	COST				ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Disposals	Closing Balance 2009	Opening Balance	Depreciation	Disposals	Closing Balance 2009	Carrying Value
	R	R		R	R	R		R	
Assets									
Propery, plant and equipment	608 592	399 815	(20 377)	988 030	(525 864)	-	19 341	(525 864)	462 166
Computer hardware	1 494 895	337 878	(318 895)	1 513 879	(976 661)	-	297 820	(678 841)	835 038
Furniture and fittings	2 584 894	360 613	(75 689)	2 869 818	(1 549 817)	-	37 776	(1 512 041)	1 357 777
Vehicles	2 469 661	-	(761 920)	1 707 741	(707 275)	-	441 914	(265 361)	1 442 380
Finance lease equipment	195 341	2 580 690	-	2 776 031	(123 579)	-	-	(123 579)	2 652 452
Total	7 353 384	3 678 996	(1 176 880)	9 855 499	(3 883 196)	-	796 850	(3 105 686)	6 749 813

Note

The municipality does not have any infrastructure-, community-, heritage assets or land and buildings (immovable assets).

APPENDIX C

THABO MOFUTSANYANA DISTRICT MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

2010	Cost							Accumulated Depreciation							
	Opening balance		Additions		Disposals	Closing balance		Opening balance		Depreciation	Disposals	Closing balance		Carying value	
	Normal assets	Leases				Normal assets	Leases	Normal assets	Leases			Normal assets	Leases	Normal assets	Leases
	R		R		R	R		R		R	R	R		R	R
Corporate Services	1 779 417	2 776 031	93 476		-	1 872 893	2 776 031	(593 925)	(123 579)	-	-	(593 925)	(123 579)	1 278 968	2 652 452
Environmental Health	288 135		104 928		-	393 063		(55 546)		-	-	(55 546)		337 517	-
Finance	1 098 951		150 796		-	1 249 747		(575 234)		-	-	(575 234)		674 512	-
LED	324 242		7 534		-	331 777		(234 114)		-	-	(234 114)		97 663	-
MAYCO and Council	834 552		63 365		-	897 917		(410 499)		-	-	(410 499)		487 418	-
Municipal Manager Office	434 345		18 769		-	453 114		(144 613)		-	-	(144 613)		308 501	-
Office of Executive Mayor	1 302 141		61 967		-	1 364 108		(325 321)		-	-	(325 321)		1 038 788	-
Office of the Speaker	139 690		26 796		-	166 486		(62 684)		-	-	(62 684)		103 802	-
PIMMS	144 481		20 434		-	164 915		(78 051)		-	-	(78 051)		86 865	-
Planning, Policy and Strategy	164 289		6 200		-	170 489		(89 394)		-	-	(89 394)		81 095	-
Technical Services	377 347		-		-	377 347		(253 983)		-	-	(253 983)		123 365	-
Whippery Office	191 878		20 484		-	212 362		(158 745)		-	-	(158 745)		53 617	-
Total	7 079 468	2 776 031	574 749		-	7 654 217	2 776 031	(2 982 107)	(123 579)	-	-	(2 982 107)	(123 579)	4 672 101	2 652 452

2009	Cost							Accumulated Depreciation							
	Opening balance		Additions		Disposals	Closing balance		Opening balance		Depreciation	Disposals	Closing balance		Carying value	
	Normal assets	Leases	Normal assets	Leases		Normal assets	Leases	Normal assets	Leases			Normal assets	Leases	Normal assets	Leases
	R		R		R	R		R		R	R	R		R	R
Corporate Services	2 517 945	195 341	147 005	2 580 690	(885 533)	1 779 417	2 776 031	(1 129 037)	(123 579)	-	535 112	(593 925)	(123 579)	1 185 492	2 652 452
Environmental Health	100 599		187 536		-	288 135		(55 546)		-	-	(55 546)		232 589	-
Finance	895 949		299 128		(96 126)	1 098 951		(661 615)		-	86 380	(575 234)		523 717	-
LED	326 585		21 141		(23 483)	324 242		(255 270)		-	21 157	(234 114)		90 129	-
MAYCO and Council	779 003		87 007		(31 458)	834 552		(439 516)		-	29 017	(410 499)		424 053	-
Municipal Manager Office	333 653		126 764		(26 071)	434 345		(169 642)		-	25 029	(144 613)		289 732	-
Office of Executive Mayor	1 185 766		138 341		(21 965)	1 302 141		(346 309)		-	20 989	(325 321)		976 821	-
Office of the Speaker	106 795		43 300		(10 405)	139 690		(72 777)		-	10 093	(62 684)		77 006	-
PIMMS	140 728		7 040		(3 287)	144 481		(80 432)		-	2 381	(78 051)		66 431	-
Planning, Policy and Strategy	154 988		10 051		(750)	164 289		(90 122)		-	728	(89 394)		74 895	-
Technical Services	408 269		29 795		(60 717)	377 347		(303 376)		-	49 394	(253 983)		123 365	-
Whippery Office	207 763		1 200		(17 084)	191 878		(175 317)		-	16 572	(158 745)		33 133	-
Total	7 158 042	195 341	1 098 306	2 580 690	(1 176 880)	7 079 468	2 776 031	(3 778 958)	(123 579)	-	796 850	(2 982 107)	(123 579)	4 097 361	2 652 452

APPENDIX D

THABO MOFUTSANYANA DISTRICT MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Revenue R	2009 Actual Expenses R	2009 Surplus/ (Deficit) R	2009 Percentage surplus/deficit %		2010 Actual Revenue R	2010 Actual Expenses R	2010 Surplus/ (Deficit) R	2010 Percentage surplus/deficit %
2 959 967	9 575 231	(6 615 264)	-223%	Corporate Services	4 156 697	8 867 592	(4 710 895)	-113%
26 622 000	25 040 781	1 581 219	6%	Infrastructural / technical services	18 140 431	19 806 984	(1 666 553)	-9%
11 610 150	26 626 259	(15 016 109)	-129%	Finance	12 991 511	24 830 220	(11 838 709)	-91%
3 966 296	4 228 034	(261 739)	-7%	LED	2 420 625	2 093 906	326 719	13%
4 878 449	2 674 025	2 204 424	45%	Municipal Manager Office	5 979 262	1 389 931	4 589 331	77%
9 603 252	29 915 998	(20 312 747)	-212%	Office of Executive Mayor	3 154 102	5 618 058	(2 463 956)	-78%
586 127	1 070 918	(484 791)	-83%	Office of the Speaker	634 520	911 528	(277 008)	-44%
2 168 487	690 561	1 477 926	68%	PIMMS	-	6 076 257	(6 076 257)	0%
4 561 916	5 104 887	(542 971)	-12%	Planning, Policy and Strategy	1 773 721	1 472 784	300 938	17%
-	4 859 890	(4 859 890)	0%	Community Services / environmental health	4 266 873	2 709 653	1 557 220	36%
3 323 953	6 595 608	(3 271 654)	-98%	MAYCO and council	4 196 501	6 664 126	(2 467 625)	-59%
431 464	43 741	387 723	90%	Whippery office	400 871	47 995	352 876	88%
70 712 059	**116 425 931**	**(45 713 872)**	**-65%**	**TOTAL**	**58 115 114**	**80 489 035**	**(22 373 921)**	**-38%**

APPENDIX E(1)

THABO MOFUTSANYANA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010

	2010 Budget (R)	2010 Actual (R)	2010 Variance (R)	2010 Variance (%)
REVENUE				
REGIONAL AND OTHER OPERATING INCOME	83 811 350	56 757 752	27 053 598	32%
INVESTMENT REVENUE	1 200 000	1 316 562	(116 562)	-10%
OTHER INCOME	350 000	40 800	309 200	88%
Total Revenue	**85 361 350**	**58 115 114**	**27 246 236**	**32%**

	2010 Budget (R)	2010 Actual (R)	2010 Variance (R)	2010 Variance (%)
EXPENSES				
PERSONNEL COSTS	30 802 942	31 771 334	(968 392)	-3%
FINANCE COSTS	-	962 513	(962 513)	0%
DEBT IMPAIRMENT	-	23 503	(23 503)	0%
REPAIRS AND MAINTENANCE	6 347 596	1 277 586	5 070 010	80%
GENERAL EXPENDITURE	41 594 192	46 454 099	(4 859 907)	-12%
TOTAL EXPENSES	**78 744 730**	**80 489 035**	**(1 744 305)**	**-2%**
NET SURPLUS /(DEFICIT) FOR THE YEAR	**6 616 620**	**(22 373 921)**		

	2009 Budget (R)	2009 Actual (R)	2009 Variance (R)	2009 Variance (%)
REVENUE				
REGIONAL AND OTHER OPERATING INCOME	128 301 380	66 488 920	61 812 460	48%
INVESTMENT REVENUE	2 500 000	3 301 058	(801 058)	-32%
OTHER INCOME	200 000	922 081	(722 081)	-361%
Total Revenue	**131 001 380**	**70 712 059**	**60 289 321**	**46%**

	2009 Budget (R)	2009 Actual (R)	2009 Variance (R)	2009 Variance (%)
EXPENSES				
PERSONNEL COSTS	21 483 657	29 852 065	(8 368 408)	-39%
FINANCE COSTS	-	310 804	(310 804)	0%
DEBT IMPAIRMENT	5 000 000	14 070 507	(9 070 507)	-181%
REPAIRS AND MAINTENANCE	1 035 663	70 218	6 277 378	606%
GENERAL EXPENDITURE	83 868 008	72 122 337	11 745 671	14%
TOTAL EXPENSES	**111 387 328**	**116 425 931**	**273 330**	**0%**
NET SURPLUS /(DEFICIT) FOR THE YEAR	**19 614 052**	**(45 713 872)**		

APPENDIX E(2)

THABO MOFUTSANYANA DISTRICT MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010	2010	2010	2010	
	Actual	Total Additions	Budget	Variance	%
		R	R	R	
Corporate Services	93 476	93 476	-	93 476	0%
Environmental Health	104 928	104 928	-	104 928	0%
Finance	150 796	150 796	347 596	(196 800)	-57%
LED	7 534	7 534	-	7 534	0%
MAYCO and Council	63 365	63 365	-	63 365	0%
Municipal Manager Office	18 769	18 769	-	18 769	0%
Office of Executive Mayor	61 967	61 967	-	61 967	0%
Office of the Speaker	26 796	26 796	-	26 796	0%
PIMMS	20 434	20 434	-	20 434	0%
Planning, Policy and Strategy	6 200	6 200	-	6 200	0%
Technical Services	-	-	-	-	0%
Whippery Office	20 484	20 484	-	20 484	0%
Total	574 749	574 749	347 596	227 153	65%

	2009	2009	2009	2009	
	Actual	Total Additions	Budget	Variance	%
		R	R	R	
Corporate Services	2 727 695	2 727 695	400 000	2 327 695	582%
Environmental Health	187 536	187 536	-	187 536	0%
Finance	299 128	299 128	-	299 128	0%
LED	21 141	21 141	-	21 141	0%
MAYCO and Council	87 007	87 007	-	87 007	0%
Municipal Manager Office	126 764	126 764	-	126 764	0%
Office of Executive Mayor	138 341	138 341	-	138 341	0%
Office of the Speaker	43 300	43 300	-	43 300	0%
PIMMS	7 040	7 040	-	7 040	0%
Planning, Policy and Strategy	10 051	10 051	-	10 051	0%
Technical Services	29 795	29 795	-	29 795	0%
Whippery Office	1 200	1 200	-	1 200	0%
Total	3 678 996	3 678 996	400 000	3 278 996	820%

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

APPENDIX F - PART 1

GRANT FUNDING - 30 JUNE 2010

2010

VOTE	DESCRIPTION	BALANCE at 30 June 2009	Contributions during the year	Transfers (in) and out	Transferred Adjustments	Revenue grant not rolled forward	Expenditure during the year	Balance at 30 June 2010
718163	Equitable Share	-	53 417 390	-	-	(53 417 390)	-	-
718232	Financial Management Grant (FMG)	-	750 000	-	-	-	(750 000)	-
718234	Municipal System Improvement Grant (MSIG)	-	735 000	-	-	-	(606 585)	128 415
718204	DOT (Rural Transport Programme)	1 552 617	-	-	-	-	(1 545 604)	7 014
718169	EPWP Incentive grant (Department of Public Works Programmes)	-	438 173	-	-	-	(438 173)	-
440253	COGTA Financial Management Assist	-	1 000 000	-	-	-	-	1 000 000
440231	COGTA Operation Hlasela	-	1 000 000	-	-	-	-	1 000 000
718166	Municipal Infrastructure Grant (MIG)	17 058 594	-	-	-	-	(15 102 325)	1 956 270
718226	Local Government Skills Education Training Academy (LG SETA)	-	-	-	-	-	-	-
		18 611 212	**57 340 563**	**-**	**-**	**(53 417 390)**	**(18 442 687)**	**4 091 698**

2009

VOTE	DESCRIPTION	BALANCE at 30 June 2008	Contributions during the year	Transfers (in) and out	Transferred Adjustments	Revenue grant not rolled forward	Expenditure during the year	Balance at 30 June 2009
718163	Equitable Share	-	47 302 537	-	-	(47 302 537)	-	-
718232	Financial Management Grant (FMG)	-	500 000	-	-	-	(500 000)	-
718234	Municipal System Improvement Grant (MSIG)	-	735 000	-	-	-	(735 000)	-
718204	DOT (Rural Transport Programme)	-	2 000 000	-	-	-	(447 383)	1 552 617
718169	EPWP Incentive grant (Department of Public Works Programmes)	-	-	-	-	-	-	-
440253	COGTA Financial Management Assist	-	-	-	-	-	-	-
440231	COGTA Operation Hlasela	-	-	-	-	-	-	-
718166	Municipal Infrastructure Grant (MIG)	14 008 477	17 369 000	-	-	-	(14 318 883)	17 058 594
718226	Local Government Skills Education Training Academy (LG SETA)	-	135 000	-	-	-	(135 000)	-
		14 008 477	**68 041 537**	**-**	**-**	**(47 302 537)**	**(16 136 265)**	**18 611 212**

THABO MOFUTSANYANA DISTRICT MUNICIPALITY

APPENDIX F - PART 2
GRANT FUNDING - 30 JUNE 2010

2010

VOTE	DESCRIPTION	Balance at 30 June 2009	Contributions during the year	Transfers (in) and out	Transferred Adjustments	Revenue grant not rolled forward	Expenditure during the year	Balance at 30 June 2010
CONDITIONAL GRANTS								
718232	Financial Management Grant (FMG)	-	750 000	-	-	-	(750 000)	-
718234	Municipal System Improvement Grant (MSIG)	-	735 000	-	-	-	(606 585)	128 415
718204	DOT (Rural Transport Programme)	1 552 617	-	-	-	-	(1 545 604)	7 014
440253	COGTA Financial Management Assist	-	1 000 000	-	-	-	-	1 000 000
440231	COGTA Operation Hlasela	-	1 000 000	-	-	-	-	1 000 000
		1 552 617	**3 485 000**	**-**	**-**	**-**	**(2 902 189)**	**2 135 429**
UNCONDITIONAL GRANTS								
718163	Equitable Share	-	53 417 390	-	-	(53 417 390)	-	-
718166	Municipal Infrastructure Grant (MIG)	17 058 594	-	-	-	-	(15 102 325)	1 956 270
718226	Local Government Skills Education Training Academy (LG SETA)	-	-	-	-	-	-	-
718169	EPWP Incentive grant (Department of Public Works Programmes)	-	438 173	-	-	-	(438 173)	-
		17 058 594	**53 855 563**	**-**	**-**	**(53 417 390)**	**(15 540 498)**	**1 956 270**
TOTAL		**18 611 212**	**57 340 563**	**-**	**-**	**(53 417 390)**	**(18 442 687)**	**4 091 698**

2009

VOTE	DESCRIPTION	Balance at 30 June 2008	Contributions during the year	Transfers (in) and out	Transferred Adjustments	Revenue grant not rolled forward	Expenditure during the year	Balance at 30 June 2009
CONDITIONAL GRANTS								
718232	Financial Management Grant (FMG)	-	500 000	-	-	-	(500 000)	-
718234	Municipal System Improvement Grant (MSIG)	-	735 000	-	-	-	(735 000)	-
718204	DOT (Rural Transport Programme)	-	2 000 000	-	-	-	(447 383)	1 552 617
440253	COGTA Financial Management Assist	-	-	-	-	-	-	-
440231	COGTA Operation Hlasela	-	-	-	-	-	-	-
		-	**3 235 000**	**-**	**-**	**-**	**(1 682 383)**	**1 552 617**
UNCONDITIONAL GRANTS								
718163	Equitable Share	-	47 302 537	-	-	(47 302 537)	-	-
718166	Municipal Infrastructure Grant (MIG)	14 008 477	17 369 000	-	-	-	(14 318 883)	17 058 594
718226	Local Government Skills Education Training Academy (LG SETA)	-	135 000	-	-	-	(135 000)	-
718169	EPWP Incentive grant (Department of Public Works Programmes)	-	-	-	-	-	-	-
		14 008 477	**64 806 537**	**-**	**-**	**(47 302 537)**	**(14 453 883)**	**17 058 594**
TOTAL		**14 008 477**	**68 041 537**	**-**	**-**	**(47 302 537)**	**(16 136 265)**	**18 611 212**