IKWEZI LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2011

General Information

Legal form of entity	Local Municipality
Type of Municipality	Plenary
Mayor	Mngwevu S.A
Councillors	Bester J (until 31May 2011)
	Ferreira S.G (until 31May 2011)
	Lizwane A (until 31May 2011)
	Vanda N.P (until 31May 2011)
	Hendricks K (from 1 June 2011)
	Bonaparte M (from 1 June 2011)
	Ntame L.J (from 1 June 2011)
	Mboneni A (from 1 June 2011)
	Lewis J (from 1 June 2011)
	Seekoei W.B (from 1 June 2011)
Grading of local authority	Grade 2
Auditors	Auditor General
Bankers	ABSA Bank - Jansenville
Registered office	34 Main Street Jansenville 6266
Municipal Manager	Mnyimba T.T
Chief Finance Officer (CFO)	Bomvane N
Postal address	PO Box 12 Jansenville 6265

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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

Accounting Officer's Responsibilities and Approval

I am responsible for the preparation of these annual financial statements, which are set out pages 4 to 36 in terms of Section 126(1) of the Municipal Finance Management Act which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 24 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

Mnyimba T.T
Municipal Manager

IKWEZI LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Trade and other receivables from non exchange transactions	2	1,753,185	1,037,245
VAT receivable	4	1,635,979	95,047
Trade and other receivables from exchange transactions	3	2,386,391	2,244,689
Cash and cash equivalents	5	181,397	13,047,099
		5,956,952	**16,424,080**
Non-Current Assets			
Property Plant and Equipment	6	107,726,586	80,280,870
Intangible assets	7	4	4
		107,726,590	**80,280,874**
Total Assets		**113,683,542**	**96,704,954**
Liabilities			
Current Liabilities			
Finance lease obligation	11	270,244	104,532
Trade and other payables from exchange transactions	8	5,688,868	3,778,472
Unspent conditional grants and receipts	9	(1,737,586)	12,921,977
Provisions	10	592,667	701,257
Bank overdraft	5	143,269	-
		4,957,462	**17,506,238**
Non-Current Liabilities			
Finance lease obligation	11	912,242	42,574
Provisions	10	9,036,400	9,036,400
		9,948,642	**9,078,974**
Total Liabilities		**14,906,104**	**26,585,212**
Net Assets		**98,777,438**	**70,119,742**
Net Assets			
Accumulated surplus		98,777,438	70,119,742

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Revenue from exchange transactions			
Interest received - outstanding debtors		580,532	1,057,176
Other income		723,291	4,441,502
Rental of facilities and equipment	24	246,306	256,345
Service charges	13	5,414,959	5,964,655
Revenue from non exchange transactions			
Government grants & subsidies	17	46,665,490	31,092,438
Licences and permits		222,796	136,005
Property rates	15	1,129,353	1,135,117
Interest received - external investment		654,316	706,809
Total Revenue		**55,637,043**	**44,790,047**
Expenditure			
Employee costs	22	10,956,746	9,596,009
Remuneration of councillors	23	758,156	706,121
Finance costs	14	79,883	33,200
Debt impairment		412,036	-
Repairs and maintenance		989,858	808,538
General Expenses	20	12,299,806	26,681,293
Total Expenditure		**24,672,413**	**37,825,161**
Surplus for the year		**30,964,630**	**6,964,886**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2009 as restated	**63,812,945**	**63,812,945**
Changes in net assets		
Surplus - 2010	6,964,886	6,964,886
Appropriations - 2009 Audit Adjustments	(658,089)	(658,089)
Total changes	6,306,797	6,306,797
Balance at 01 July 2010	**66,036,877**	**66,036,877**
Changes in net assets		
Transfer in - asset verification	1,775,931	1,775,931
Net income (losses) recognised directly in net assets	1,775,931	1,775,931
Surplus for the year	30,964,630	30,964,630
Total recognised income and expenses for the year	32,740,561	32,740,561
Total changes	32,740,561	32,740,561
Balance at 30 June 2011	**98,777,438**	**98,777,438**

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,598,455	7,099,772
Grants		46,665,490	31,092,438
Interest income		654,316	1,763,985
Other receipts		880,581	4,833,852
Movement in debtors		(553,739)	62,452
		49,245,103	44,852,499
Payments			
Employee costs		(11,714,902)	(10,302,130)
Suppliers		(24,072,439)	(26,681,293)
Finance costs		(65,933)	(33,200)
Repairs and maintenance		(989,858)	(808,538)
Movement in creditors		-	7,949,295
Adjustment		(762,586)	(890,911)
		(37,605,718)	(30,766,777)
Net cash flows from operating activities	18	**11,639,385**	**14,085,722**
Cash flows from investing activities			
Purchase of property plant and equipment	6	(25,748,436)	(15,137,867)
Provision raised on landfill site		-	9,036,400
Net cash flows from investing activities		**(25,748,436)**	**(6,101,467)**
Cash flows from financing activities			
Finance lease payments		1,021,430	(125,514)
Other cash item		78,651	-
Net cash flows from financing activities		**1,100,081**	**(125,514)**
Net increase/(decrease) in cash and cash equivalents		**(13,008,970)**	**7,858,741**
Cash and cash equivalents at the beginning of the year		13,047,099	5,188,358
Cash and cash equivalents at the end of the year	5	**38,129**	**13,047,099**

Accounting Policies

1. Basis of preparation of the Annual Financial Statements

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. These annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statement
GRAP 3	Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

Accounting policies for material transaction, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7,11 and 12 of GRAP 3.These accounting policies and the applicable disclosures have been based on the Generally Recognised Accounting Practices (GRAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Accounting Standards Board has set transitional provisions for individual standards of GRAP as set out in Directive 4 issued in March 2009. Details of the transitional provisions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies which have been consistently applied except where transitional provisions has been granted are disclosed below.

These accounting policies are consistent with the previousperiod.

Accounting Policies

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the Municipality's functional currency.

1.2 Going concern assumption

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

1.3 Standards, amendments to standards and interpretations issued but not yet effective

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

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of Non-Cash-generating-assets - issued March 2009
GRAP 23 Revenue from Non-Exchange Transactions - issued February 2008
GRAP 24 Presentation of Budget Information - issued November 2007
GRAP 26 Impairment of Cash-generating-assets - issued March 2009
GRAP 103 Heritage Assets - issued July 2008
GRAP 25 Employee Benefits - issued 11 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

1.4 Change in accounting policies and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

The details of any resulting changes in accounting policy and comparative restatements are given in note 27 to the Annual Financial Statements.

The municipality changes an accounting policy only if the following instances:
(a) is required by a Standard of GRAP; or
(b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity’s financial position, financial performance or cash flow.

The details of any changes in accounting policies and comparative restatements are explained in the relevant policy.

1.5 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 year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

(continued)

1.5.2 Subsequent measurement - cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.
Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.5.3 Depreciation and impairment

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

Infrastructure Assets:	
Roads and Paving	30 years
Stormwater Drainage	20 years
Community Assets:	
Buildings	30 years
Recreational Facility	20-30 years
Security	5 years
Community Halls	30 years
Libraries	30 years
Parks and gardens	10 years
Finance Lease Assets:	
Office equipment	4 years
Other Assets:	
Buildings	30 years
Specialist vehicles	10 years
Other vehicles	5 years
Office equipment	3-7 years
Furniture and fittings	7-10 years
Bins and containers	5 years
Specialised plant and equipment	10-15 years
Landfill sites	15 years
Computer equipment	3 years

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

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

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

The municipality changed its accounting policy for property, plant & 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.

Accounting Policies

(continued)
The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant & equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant & 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 & equipment has accordingly been recognised at provisional amounts, as disclosed in 6. The transitional provision expires on 30 June 2012. Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for andincluding the next three financial years impairment and depreciation assessments will not be considered.

1.6 Investment property

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

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

1.6.2 Subsequent measurement - cost model
Investment property is measured using the cost model and a revaluation will be performed once every five years. Under the cost model, investment property is carried at its depreciated revalued amount less impairments at the reporting date. Any gain or loss arising from the revaluation is included in revaluation reserve.

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 16 Investment property - paragraphs 63-70
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property 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 transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

Accounting Policies

(continued)
1.7 Intangible assets

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

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

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

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.
Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset's) given up.

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

1.7.3 Amortisation and impairment
Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The annual amortisation rates are based on the following estimated average asset lives:
Computer software 5 years

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

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

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

(continued)
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 asset 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 transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and amortisation assessments will not be considered.

1.8 Non-current assets held for sale

1.8.1 Initial recognition
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

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

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

1.9 Value added tax
The Municipality accounts for Value Added Tax on the payments basis. This means that VAT is declared to the South African Revenue Services as input VAT or output VAT only when payments are made to suppliers or payments are received for goods or services.

The net output VAT on debtors where money has not been received or creditors where payment has not yet been made is disclosed separately in the Statement of Financial Position in terms of GRAP 1.

1.10 Leases

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.
Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

The municipality changed its accounting policy for leases in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

(continued)
The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 16 Investment property - paragraphs 63-70
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where leasehold asset was acquired through a transfer of functions, the municipality is not required to measure that leasehold asset 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 transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

1.10.2 Municipality as lessor
Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease.

The receivable is reduced by the capital portion of the lease installments received, with the interest portion being recognised as interest revenue on a time proportionate basis.

The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.11 Revenue recognition

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

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

Interest revenue is recognised on a time proportion basis.

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

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

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

Accounting Policies

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

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

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.
Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible Councilors or officials is virtually certain.

1.11.3 Grants, transfer and donations
Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional.

The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.12 Financial instruments

Initial recognition and measurement

1.12.1 Initial recognition

Financial instruments are initially recognised at fair value.

1.12.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

1.12.2.1 Investments
Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

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

Accounting Policies

(continued)
Amounts that are receivable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses.

When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.12.2.3 Financial liabilities: trade and other payables from non exchange tansactions
Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities and are held at cost, as their cost approximates it's fair value.

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.13 Conditional grants and receipts
Unutilised conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position.

They represent unspent government grants and subsidies.

1.14 Provisions
Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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

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

The present obligation under an onerous contract is recognised and measured as a provision.
A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

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

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

Accounting Policies

(continued)

1.15 Borrowing costs

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

1.16 Retirement benefits

The municipality provides retirement benefits for its employees and Councillors. Contributions are made to the South African Municipal Workers Union (SAMWU) and to the Cape Joint Providend Fund (CJPF) to fund the obligations for the payment of retirement benefits in accordance with the rules of the defined contribution funds it administers. Contributions are recognised as an expense in the statement of Financial Performance.

1.17 Unauthorised expenditure

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

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Fruitless and wasteful expenditure

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

1.20 Internal reserves

Capital replacement reserve (CRR)
In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account.

The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.21 Impairment of assets

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

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

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.
The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

(continued)

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

That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.
An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit.

The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

The municipality changed its accounting policy for property, plant & 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.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 13 Leases - paragraphs 55-60
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant & equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant & 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 & equipment has accordingly been recognised at provisional amounts, as disclosed in 6. The transitional provision expires on 30 June 2012.

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered .

1.22 Transitional Provisions

Ikwezi Local Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows:

GRAP 1 Presentation of Financial Statements - paragraphs 7-8A
GRAP 9 Revenue from Exchange Transactions - paragraphs 37-38
GRAP 12 Inventories - paragraphs 45-52
GRAP 13 Leases - paragraphs 55-60
GRAP 16 Investment property - paragraphs 63-70
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets - paragraph 93-94E
GRAP 102 Intangible Assets - paragraph 110-118

Accounting Policies

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

Defined contribution plans

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

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

Defined benefit plans

Multi employers defined benefit pension plan are treated as defined contribution plan. For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

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

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

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

2. Trade and other receivables from non exchange transactions

Accumulated interest - Investments	61,460	61,460
Fuel deposit	20,000	20,000
Government subsidies	66,344	716,627
Vat - creditors not yet paid/adjustments	158,830	150,037
Housing Rental	-	16,936
Sundry Debtors	1,614,660	72,185
Vat - Debtors	(168,109)	-
	1,753,185	**1,037,245**

3. Trade and other receivables from exchange transactions

Gross balances		
Rates	1,790,554	2,436,871
Electricity	343,324	162,403
Water	1,930,580	2,015,948
Sewerage	2,585,907	1,886,450
Refuse	2,675,113	1,962,701
Other - Sundry Interest	-	307,366
	9,325,478	**8,771,739**

Less: Impairment of debtors		
Rates	1,332,351	1,886,927
Electricity	255,467	93,475
Water	1,436,545	1,476,083
Sewerage	1,924,173	1,393,028
Refuse	1,990,551	1,439,505
Other - Sundry Interest	-	238,032
	6,939,087	**6,527,050**

Net balance		
Rates	458,203	549,944
Electricity	87,857	68,928
Water	494,035	539,865
Sewerage	661,734	493,422
Refuse	684,562	523,196
Other - Sundry Interest	-	69,334
	2,386,391	**2,244,689**

Rates		
Current (0 -30 days)	32,135	21,242
31 - 60 days	26,404	14,716
61 - 90 days	24,235	14,437
91 - 120 days	22,295	14,014
121 - 365 days	1,685,485	2,372,462
	1,790,554	**2,436,871**

Electricity		
Current (0 -30 days)	61,210	28,708
31 - 60 days	41,596	8,990
61 - 90 days	33,054	4,003
91 - 120 days	11,510	4,379
121 - 365 days	195,954	116,322
	343,324	**162,402**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

3. Trade and other receivables from exchange transactions (continued)

Water		
Current (0 -30 days)	49,175	40,834
31 - 60 days	46,152	37,152
61 - 90 days	45,275	35,375
91 - 120 days	43,982	34,437
121 - 365 days	1,745,996	1,868,151
	1,930,580	**2,015,949**

Sewerage		
Current (0 -30 days)	38,071	31,530
31 - 60 days	36,892	30,325
61 - 90 days	36,569	29,303
91 - 120 days	35,820	29,164
121 - 365 days	2,438,555	1,766,128
	2,585,907	**1,886,450**

Refuse		
Current (0 -30 days)	44,379	36,389
31 - 60 days	41,799	33,270
61 - 90 days	41,173	32,700
91 - 120 days	40,279	32,363
121 - 365 days	2,507,483	1,827,979
	2,675,113	**1,962,701**

4. VAT receivable

VAT	1,635,979	95,047

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	-	336,507
Short-term deposits	181,397	12,710,592
Bank overdraft	(143,269)	-
	38,128	**13,047,099**

Current assets	181,397	13,047,099
Current liabilities	(143,269)	-
	38,128	**13,047,099**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2011	**30 June 2010**		**30 June 2011**	**30 June 2010**	
ABSA Bank : Current Account : Account Number - 4053099797	279,021	1,047,915	-	(143,269)	833,320	-
ABSA Bank : Current Account : Account Number - 2520141122	1,755	10,712	-	-	-	-
Total	**280,776**	**1,058,627**	**-**	**(143,269)**	**833,320**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

6. Property Plant and Equipment

	2011			2010		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation**	**Carrying value**
Leases	1,661,023	-	1,661,023	403,652	-	403,652
Movable Assets	3,411,263	-	3,411,263	2,027,417	-	2,027,417
Immovable Assets-Infrastructure	81,148,881	-	81,148,881	68,813,401	-	68,813,401
Asset found	1,697,280	-	1,697,280	-	-	-
Capital work in progress	10,771,739	-	10,771,739	-	-	-
Landfill site	9,036,400	-	9,036,400	9,036,400	-	9,036,400
Total	**107,726,586**	**-**	**107,726,586**	**80,280,870**	**-**	**80,280,870**

Reconciliation of property plant and equipment - 2011

	Opening balance	**Additions**	**Verification Adjustment**	**Total**
Assets	403,652	1,257,371	-	1,661,023
Movable Assets	2,027,417	1,383,846	-	3,411,263
Immovable Assets-Infrastructure	68,813,401	12,335,480	-	81,148,881
Asset found	-	-	1,697,280	1,697,280
Capital work in progress	-	10,771,739	-	10,771,739
Landfill site	9,036,400	-	-	9,036,400
	80,280,870	**25,748,436**	**1,697,280**	**107,726,586**

Reconciliation of property plant and equipment - 2010

	Opening balance	**Additions**	**Total**
Leases	403,652	-	403,652
Movable Assets	1,942,335	85,082	2,027,417
Immovable Assets-Infrastructure	62,797,016	6,016,385	68,813,401
Landfill site	-	9,036,400	9,036,400
	65,143,003	**15,137,867**	**80,280,870**

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

Transitional provisions

Property, plant and equipment recognised at provisional amounts

The municipality changed its accounting policy for property, plant & 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.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 13	Leases - paragraphs 55-60
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 102	Intangible Assets - paragraph 110-118

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment, fair value, componentisation, residual values and depreciation assessments will not be considered.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

6. Property Plant and Equipment (continued)

Property, plant and equipment with a carrying value of R 107 726 586 (2010: R 80 280 870) was recognised at provisional amounts.

The steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, is as follows:

The Municiality is in the process of appointing suitably qualified consultants to perform a complete valuation of all assets during the next financial year. A detailed analysis of the fair value, residual value, componentisation, amotisation and impairment and will be performed over the exemption period.

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

7. Intangible assets

	2011			2010		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Performance Mangement System	1	-	1	1	-	1
Website Development Costs	1	-	1	1	-	1
Vuku Fleet Management	1	-	1	1	-	1
SAMRAS System	1	-	1	1	-	1
Total	**4**	**-**	**4**	**4**	**-**	**4**

Reconciliation of intangible assets - 2011

	Opening balance	**Total**
Performance Management System	1	1
Website Development Costs	1	1
Vuku Fleet Management	1	1
SAMRAS System	1	1
	4	**4**

Reconciliation of intangible assets - 2010

	Opening balance	**Total**
Performance Management System	1	1
Website Development Costs	1	1
Vuku Fleet Management	1	1
SAMRAS System	1	1
	4	**4**

Transitional Provisions

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

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 13	Leases - paragraphs 55-60
GRAP 16	Investment property - paragraphs 63-70
GRAP 17	Property, Plant and Equipment - paragraphs 73-83
GRAP 102	Intangible Assets - paragraph 110-118

Due to the impact of Directive 4 being adopted and the core criteria of all assets being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

Intangible assets with a carrying value of 2011: R 4 (2010: R 4) was recognised at provisional amounts.
The steps taken to establish the values of intangible assets recognised at provisional amounts due to the initial adoption of GRAP 102, is as follows:

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

7. Intangible assets (continued)

The Municiality is in the process of appointing suitably qualified consultants to perform a complete valuation of all intangible assets during the next financial year. A detailed analysis of the impairment and amortisation wil be performed over the exemption period.

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

8. Trade and other payables from exchange transactions

	2011	2010
Trade payables	(5)	(5)
Service charges paid in advance	-	4,477
Sundry creditors	4,459	2,052,958
Trade creditors	5,785,112	1,611,327
Service charges paid in advance	2,160	-
Retention	109,715	109,715
Vat - Income raised not yet paid by debtors	(212,573)	-
	5,688,868	**3,778,472**

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2011	2010
Unspent grant 1	(1,414,205)	8,029,857
HIV Aids Program	39,631	39,631
FMG	31,719	-
MIG - Provision of Sanitation	350,000	-
LED - Bakery Project	479,085	82,999
Kliplaat Housing Project	2,183,869	2,115,623
Water Report	(2,282,806)	92,059
IDP Funds	120,105	17,697
MIG - Sewer Project	1,842	1,842
Housing Kliplaat (210)	(137,241)	-
General Valuation	71,858	-
MSIG	(1,181,443)	2,542,269
	(1,737,586)	**12,921,977**

Movement during the year

	2011	2010
Balance at the beginning of the year	12,921,977	5,955,017
Additions during the year	23,022,850	25,682,970
Income recognition during the year	(37,682,414)	(18,716,010)
	(1,737,587)	**12,921,977**

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 attaching to government assistance that has been recognised.

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

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Utilised during the year	Total
Provision for Landfill Site	9,036,400	-	9,036,400
Performance Bonuses: Section 57 employees	168,239	16,724	184,963
Provision for leave pay	533,018	(125,314)	407,704
	9,737,657	**(108,590)**	**9,629,067**

Reconciliation of provisions - 2010

	Opening Balance	Movements	Utilised during the year	Reversed during the year	Total
Provision for landfill site	-	9,036,400	-	-	9,036,400
Workman's Compensation	149,711	-	-	(149,711)	-
Performance Bonuses : Section 57 employees	99,081	168,239	-	(99,081)	168,239
Provision for Leave Pay	685,288	-	(152,270)	-	533,018
	934,080	**9,204,639**	**(152,270)**	**(248,792)**	**9,737,657**

	2011	2010
Non-current liabilities	9,036,400	9,036,400
Current liabilities	592,667	701,257
	9,629,067	**9,737,657**

Landfill site provisions with a carrying value of R 9 036 400 was recognised at provisional amounts.
The provision for the rehabilitation provided for by ourselves in the prior year was based on the upper thresholds of equipment labour and materials, Management have done an assesment of the calculation variablesb and amounts in the current year versus the current market rate at jansenville and have found the provision amount in the prior year still comparable. With foresight to uncertaian timing and amount we believe the above provision will be adaquate to cover the costs of rehabilitation.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

11. Finance lease obligation

Minimum lease payments due		
- within one year	274,607	138,050
- in second to fifth year inclusive	918,759	44,950
	1,193,366	183,000
less: future finance charges	(10,880)	(14,912)
Present value of minimum lease payments	**1,182,486**	**168,088**
Present value of minimum lease payments due		
- within one year	270,234	125,515
- in second to fifth year inclusive	912,252	42,573
	1,182,486	**168,088**
Non-current liabilities	912,242	42,574
Current liabilities	270,244	104,532
	1,182,486	**147,106**

It is municipal policy to lease certain telecommunications and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 2011: 6.75% (2010: 13,67%).

Interest rates are linked to prime at the contract date.

The municipality changed its accounting policy for leases in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

The Municipality has taken advantage of the transitional provisions permitted by the Accounting Standards Board, as set out in Directive 4 issued in March 2009 as follows :

GRAP 13 Leases - paragraphs 55-60
GRAP 16 Investment property - paragraphs 63-70
GRAP 17 Property, Plant and Equipment - paragraphs 73-83
GRAP 102 Intangible Assets - paragraph 110-118

Due to the impact of Directive 4 being adopted and the core criteria of all assets and liabilities being exempt for measurement, for and including the next three financial years impairment and depreciation assessments will not be considered.

Leasehold assets with a carrying value of R 1 182 486 (2010: R 147 106) was recognised at provisional amounts.
The steps taken to establish the values of leasehold assets and leasehold liabilitiesare recognised at provisional amounts due to the initial adoption of GRAP 102, is as follows:

The Municiality is in the process of appointing suitably qualified consultants to perform a complete valuation of all leased assets and liabilities during the next financial year.

The date at which full compliance with GRAP 13 is expected, is 30 June 2012.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

12. Revenue

Property rates	1,129,353	1,135,117
Service charges	5,414,959	5,964,655
Rental of facilities & equipment	246,306	256,345
Licences and permits	222,796	136,005
Government grants & subsidies	46,665,490	31,092,438
Income from other sources	-	1,763,985
Other income	-	4,441,502
	53,678,904	**44,790,047**

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

Service charges	5,414,959	5,964,655
Rental of facilities & equipment	246,306	256,345
Interest - outstanding debtors	222,796	1,057,176
Other income	-	4,441,502
	5,884,061	**11,719,678**

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

Property rates	1,129,353	1,135,117
Government grants & subsidies	46,665,490	31,092,438
Licences and Permits	-	136,005
Interest received - external investments	-	706,809
	47,794,843	**33,070,369**

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

Property rates	1,129,353	1,135,117
Government grants & subsidies	46,665,490	31,092,438
Revenue 1	-	136,005
Revenue 2	-	706,809
	47,794,843	**33,070,369**

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

Property rates	1,129,353	1,135,117
Licenses and permits	-	136,005
Government grants & subsidies	46,665,490	31,092,438
Interest received - external investment	-	706,809
	47,794,843	**33,070,369**

13. Service charges

Sale of electricity	3,709,708	3,414,635
Sale of water	670,108	932,773
Sewerage and sanitation charges	453,477	763,550
Refuse removal	581,666	853,697
	5,414,959	**5,964,655**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

14. Finance costs

Finance leases	13,950	33,072
Other interest paid	65,933	128
	79,883	**33,200**

15. Property rates

Rates received

Residential	1,129,667	1,135,117
Less: Income forgone	(314)	-
	1,129,353	**1,135,117**

Valuations

Residential	54,140,150	54,140,150
Commercial	8,451,600	8,451,600
State	17,495,700	17,495,700
Small holdings and farms	454,028,900	454,028,900
	534,116,350	**534,116,350**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2007 Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

16. Donations and public contributions

Donations for councillor Vanda's farewell from the following service providers.

Monang & Associates	10,000	-
Stemele Bosch Africa	10,000	-
Amava IT (pty) Ltd	10,000	-
	30,000	**-**

17. Government grants and subsidies

Municipal Infrastructure Grant	8,331,270	5,388,096
Equitable Share Allocation	11,553,081	9,260,790
Financial Management Grant	1,089,735	1,000,000
Municipal System Improvement Grant	750,000	500,000
Other government grants	24,941,404	14,943,552
	46,665,490	**31,092,438**

Equitable Share

A portion of equitable share (approximately : R 2 500 000) was utilized for the Jansenville Electrification Project.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

18. Cash generated from operations

Surplus	30,964,630	6,964,886
Adjustments for:		
Finance costs - Finance leases	13,950	(15,474)
Debt impairment	412,036	-
Movements in provisions	(108,590)	(232,823)
Audit fee prior year	-	(664,000)
Other non-cash items	(4,082,864)	-
Changes in working capital:		
Trade and other receivables from non exchange transactions	(857,643)	62,452
Other receivables from non-exchange transactions	-	7,949,295
Consumer debtors	(412,036)	-
Trade and other payables from exchange transactions	1,910,397	-
VAT	(1,540,932)	-
Unspent conditional grants and receipts	(14,659,563)	-
Other liability	-	21,386
	11,639,385	**14,085,722**

19. Going concern

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.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

20. General expenses

Advertising	108,678	179,494
Auditors remuneration	801,603	1,619,289
Bad debts written off	-	4,459,304
Bank charges	112,652	99,150
Books and Publications	4,856	5,075
Chemicals	310,245	353,050
Congress Fees	12,542	87,076
Consumables	277,010	39,320
Courier Services	5,963	2,385
Deeds Office Returns	15,607	10,065
Electricity purchased	4,051,542	2,940,224
Entertainment	187,127	115,642
Feedlot / Ostrich Project	-	197,765
Fuel and oil	413,646	309,301
Increase in provision for performance bonuses	16,724	-
Indigent - Free Services	1,616,002	1,606,006
Insurance	160,068	137,579
Inventory items	69	62,462
Lease rentals on operating lease	14,409	-
Legal Expenses	1,316,464	932,333
Licenses	60,999	8,033
Marketing	8,125	905,026
Pauper Burial	11,990	5,310
Postage	65,337	52,821
Printing and stationery	182,473	209,763
Project maintenance costs	509,490	621,272
Promotions	-	3,754,367
Refuse	-	5,179
Rentals	90,465	22,235
Subscriptions	105,825	102,397
Sundry Expenses	6,303	6,943,406
Telephone and Internet	594,430	510,533
Tourism	10,400	45,247
Training	316,135	288,000
Valuations	53,432	21,333
Uniforms/Protective Clothing	35,123	30,851
	11,475,734	**26,681,293**

21. Internal and External Audit Fees

Audit fees	801,603	1,619,289

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. Employee related costs

13th Cheques	-	286,537
Employee related costs - Salaries and Wages	7,820,637	6,546,249
Subsistence and travel	534,356	423,566
Medical aid contributions	320,754	229,779
Overtime payments	428,574	353,948
Bonuses	541,859	611,659
Skills Development Levy	74,482	82,083
Housing benefits and allowances	11,535	14,295
Other Allowances	63,951	55,299
Standby Allowances	49,778	12,335
Bargaining Council Levy	3,169	2,921
Pension Fund	633,141	493,764
Travel allowance	404,794	421,404
Unemployment Insurance Fund (UIF)	69,716	62,170
	10,956,746	**9,596,009**

Remuneration of Municipal Manager

Annual Remuneration	455,169	393,256
Car Allowance	84,000	72,000
Performance Bonuses (still to be approved - see provisions)	77,163	70,148
Public office allowance	12,000	12,000
	628,332	**547,404**

Remuneration of Chief Finance Officer

Annual Remuneration	301,000	242,493
Car Allowances	84,000	84,000
Performance Bonuses (still to be approved - see provisions)	53,900	49,000
	438,900	**375,493**

Remuneration of the Technical Manager

Annual Remuneration	385,000	321,144
Performance Bonuses (still to be approved - see provisions)	53,900	49,000
	438,900	**370,144**

23. Remuneration of councillors

Mayor/Speaker	-	254,531
Councillors	758,156	451,590
	758,156	**706,121**

24. Rental of facilities and equipment

Premises		
Premises	26,376	172,749
Facilities		
Facilities	219,930	83,596
	246,306	**256,345**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

25. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Infrastructure	22,188,877	54,172,191
Not yet contracted for and authorised by accounting officer		
• Infrastructure	-	8,207,721

This committed expenditure relates to property and will be financed by available bank facilities and retained surpluses.

26. Contingencies

There were the following contingent liabilities against the Ikwezi Local Municipality as at balance sheet date (2010 : 114 000) .
1. Pending case between Ikwezi Municipality and Mr. Martin Meyer on unfair dismissal.

2. Pending case between Ikwezi & Jansenville Taxi Association over Erf 465 in Jansenville.

3. Pending case between Ikwezi Municipality and Mrs. Phil-Ann Krusmas for damages incurred while working for the municipality.

4. Pending case between Ikwezi Municipality and Mr. Mathew Blouw for unfair dismissal.

27. Related parties

Related party transactions

Purchases from (sales to) related parties		
Ibamba Reserve Lodge	-	5,000
Ninham Shand Consulting	-	5,000
Amava Technology Information	-	5,000
Patel and Associates	-	5,000
LRC Civil Engineering	-	5,000
Silulinto Trading Enterprise CC	-	25,200
Donations recieved from related parties		
Manang & Associates	10,000	-
Stemele Bosch Africa	10,000	-
Amava IT (pty) ltd	10,000	-

One of the members of Silulinto Trading Enterprise CC and Ikhala Sewing Factory is Mr. M Vanda, who is son of councillor NP Vanda. Silulinto Trading Enterprise CC was awarded contract to install 60 water tanks in Jansenville and Klipplaat. The cost of the contract was R 25 200.

28. Risk management

Financial risk management

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.
Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

28. Risk management (continued)
Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statement

Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 38.7 below). No formal policy exists to hedge volatilities in the interest rate market.

Interest Rate Risk Management

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

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term debtors, consumerdebtors, other debtors, and bank and cash balances.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the balance of the variable rate debt instrument.

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The municipality has access to financing facilities.

The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

Figures in Rand	2011	2010

28. Risk management (continued)

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings

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.

29. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.

30. Fruitless, wasteful and unauthorised expenditure

There was an electricity loss of 18% incurred for the period.

31. Irregular expenditure

	2011	2010
Add: Irregular Expenditure - current year	1,073,989	-

Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Repair of Klipfontein Dam	Council passed resolution for emergency repair	1,073,989

32. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Pension and Medical Aid Deductions

VAT

	2011	2010
VAT receivable	1,635,979	95,047

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total

Notes to the Annual Financial Statements

Figures in Rand		2011	2010

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

Councillor: J Lewis	-	1,706	1,706
Councillor: DW Lizwane	335	-	335
Councillor : K Hendricks	489	16,755	17,244
Councillor: M Bonaparte	220	148	368
Councillor: W Seekoei	150	-	150
	1,194	**18,609**	**19,803**

30 June 2010	**Outstanding less than 90 days**	**Outstanding more than 90 days**	**Total**
Councillor: A Lizwane	46	-	46
Councillor: JJ Bester	83	8,804	8,887
	129	**8,804**	**8,933**

IKWEZI LOCAL MUNICIPALITY

APPENDIX A
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land and Buildings					-			-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Infrastructure										
Infrastructure Assets	81 148 881				81 148 881			-	-	81 148 881
					-			-	-	-
	81 148 881	**-**	**-**	**-**	**81 148 881**	**-**	**-**	**-**	**-**	**81 148 881**
Other Assets										
Leases	1 661 023				1 661 023			-	-	1 661 023
Movable Assets	3 411 263				3 411 263			-	-	3 411 263
Asset Found	1 697 280				1 697 280			-	-	1 697 280
Capital work in progress	10 771 739				10 771 739				-	10 771 739
Landfill site	9 036 400				9 036 400				-	9 036 400
					-				-	-
Security Equipment					-			-	-	-
	26 577 705	**-**	**-**	**-**	**26 577 705**	**-**	**-**	**-**	**-**	**26 577 705**
TOTAL	**107 726 586**	**-**	**-**	**-**	**107 726 586**	**-**	**-**	**-**	**-**	**107 726 586**

IKWEZI LOCAL MUNICIPALITY

APPENDIX B

DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

-

2,011 Actual Income R	2,011 Actual Expenditure R	2,011 Actual Surplus/ (Deficit) R		2,010 Actual Income R	2,010 Actual Expenditure R	2,010 Actual Surplus/ (Deficit) R
29 520 251	**2 049 817**	**27 470 434**	**Executive & Council**	**24 527 380**	**1 658 863**	**22 868 517**
4 580 532	556 746	4 023 786	Council general	4 060 264	457 895	3 602 369
8 723 291	558 256	8 165 035	Mayor's Office	7 580 950	478 962	7 101 988
10 801 469	690 181	10 111 288	Municipal Manager	8 064 972	563 212	7 501 760
5 414 959	244 634	5 170 325	Speaker	4 821 194	158 794	4 662 400
26 116 792	**1 000 000**	**25 116 792**	**Finance & Admin**	**20 262 667**	**4 018 037**	**14 810 589**
8 105 235	600 454	7 504 781	Budget & Treausry	7 542 654	1 587 941	5 954 713
14 220 564	300 687	13 919 877	Corporate Services	10 110 554	1 254 678	8 855 876
3 790 993	98 859	3 692 134	Human Resource	2 609 459	1 175 418	
-	**1 690 181**	**(1 690 181)**	**Planning & Development**	**-**	**5 457 812**	**(5 457 812)**
	1 690 181	(1 690 181)	Development & Planning		5 457 812	(5 457 812)
-	**5 058 761**	**(5 058 761)**	**Community Services**	**-**	**4 423 789**	**(4 423 789)**
	1 584 789	(1 584 789)	Community Development		4 423 789	(4 423 789)
	3 473 972	(3 473 972)	Refuse removal & cemetery		5 478 124	(5 478 124)
-	**2 457 891**	**(2 457 891)**	**Roads Transport**	**-**	**6 578 709**	**(6 578 709)**
	2 457 891	(2 457 891)	Planning & Infrastructure		6 578 709	(6 578 709)
-	**12 458 041**	**(12 458 041)**	**Electricity**	**-**	**15 687 951**	**(15 687 951)**
	12 458 041	(12 458 041)	Electricity		15 687 951	(15 687 951)
55 637 043	**24 714 691**	**30 922 352**	**Total**	**44 790 047**	**37 825 161**	**5 530 845**

IKWEZI LOCAL MUNICIPALITY

APPENDIX C (1)
ACTUAL OPERATNG VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2008 Variance R	2008 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	1 129 353	1 377 811	(248 458)	(18)	Adjustments to valuation roll
Service charges	5 414 959	6 806 250	(1 391 291)	(20)	
Rental of facilities and equipment	246 306	300 493	(54 187)		
Interest earned – external investments	654 316	775 921	(121 605)	(16)	Surplus funds were invested
Interest earned – outstanding debtors	580 532	756 233	(175 701)	(23)	
Fines		-	-		
Licensing & permits	222 796	271 811	(49 015)	(18)	
Government grants & subsidies – operating	46 665 490	52 397 617	(5 732 127)	(11)	
Government grants & subsidies – capital		-	-		
Other revenue	723 291	663 453	59 838	9	
Total Revenue	**55 637 043**	**63 349 589**	**(7 712 546)**	**(12)**	
EXPENDITURE					
Employee related costs	10 956 746	12 472 670	(1 515 924)	(12)	Vacant positions
Remuneration of councillors	758 156	643 629	114 527	18	
Bad debts		-	-		Provision sufficient
Depreciation		-	-		Gamap Grap conversion
Amortisation of intangible assets		-			
Repairs & maintenance	989 858	1 098 245	(108 387)	(10)	
Interest paid	79 883	97 457	(17 574)		
Debt Impairment	(412 036)	(508 972)	96 936	(19)	
General expenses	12 342 084	11 057 342	1 284 742	12	Capital grant expenditure included in budget
Total Expenditure	**24 714 691**	**24 860 372**	**(145 681)**	**(1)**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**30 922 352**	**38 489 217**	**(7 566 865)**	**(12)**	

IKWEZI LOCAL MUNICIPALITY

APPENDIX D
DISCLOSURE OF GRANTS AND SUBSIDIES

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Total Receipts for the Year	Total Expenditure for the Year	Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Total	Total	Total	Total		Yes / No	
Equitable Share	DPLG	11 553 081		None		None	Not Applicable	None
Financial Management Grant	National Treasury	1 089 735		None		None	Yes	None
Municipal Systems Improvement	DPLG	750 000		None		None	Yes	None
MIG Grants	DPLG	8 331 270		None		None	Yes	None
Other government grants		24 941 404						
		46 665 490	**-**	**-**	**-**			