



Mnquma Local Municipality
Annual Financial Statements
for the year ended 30 June 2011

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

General Information

Legal form of entity	MNQUMA LOCAL MUNICIPALITY	
Mayoral committee	BEFORE 18 MAY 2011	AFTER 18 MAY 2011
Executive Mayor	Cllr N. DYANTYI	Cllr B. GANJANA
Speaker	Cllr DYAN	Cllr MAGADLA
Chief Whip	Cllr NOWANGA	Cllr MNQWAZI
Councillor	Cllr MAKWETHU	Cllr MBANGXA
	Cllr LAVISA	Cllr JIKWANA
	Cllr QWABE	Cllr NTANGA
	Cllr SIBINI	Cllr BIKITSHA
	Cllr DUBE	Cllr NCETEZO
	Cllr BUSO	Cllr NOGANTA
	Cllr MLOKOTI	Cllr SHELENI
	Cllr MAMPOFU	Cllr MADIKANE
	Cllr PIKELA	Cllr TONGO
Grading of local authority	Grade 3	
Accounting Officer	N. PAKADE	
Chief Finance Officer (CFO)	N. NTSHANGA	
Business address	CNR KING AND UMTATA STREET BUTTERWORTH 4960	
Postal address	P.O. BOX 36 BUTTERWORTH 4960	
Bankers	FIRST NATIONAL BANK	
Auditors	AUDITOR GENERAL Certified Public Accountant (S.A.) Registered Auditors	

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Abbreviations

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

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Approval of annual financial statements

I am responsible for the preparation of these financial statements in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that 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 of the annual financial statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

N. PAKADE
Accounting Officer

BUTTERWORTH
31 August 2011

Mnquma Local Municipality

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Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Trade and other receivables from exchange transactions	5	4,465	32,172
VAT receivable	6	17,042,628	10,809,606
Consumer debtors	7	1,739,452	5,928,609
Cash and cash equivalents	8	12,618,606	19,515,432
		31,405,151	36,285,819
Non-Current Assets			
Property, plant and equipment	2	380,988,453	162,552,971
Intangible Assets	3	183,004	(62,782)
		381,171,457	162,490,189
Total Assets		412,576,608	198,776,008
Liabilities			
Current Liabilities			
Finance lease obligation	9	267,711	584,168
Trade and other payables from exchange transactions	12	18,302,331	22,446,011
Unspent conditional grants and receipts	10	9,969,472	12,270,846
Provisions	11	695,292	1,376,522
Bank overdraft	8	-	2,715,236
		29,234,806	39,392,783
Non-Current Liabilities			
Finance lease obligation	9	1,072,525	1,489,191
Retirement benefit obligation	4	2,753,000	2,350,000
Provisions	11	14,862,262	14,494,000
		18,687,787	18,333,191
Total Liabilities		47,922,593	57,725,974
Net Assets		364,654,015	141,050,034
Net Assets			
Accumulated surplus		364,654,015	141,050,034

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Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	14	10,419,471	19,298,832
Service charges	15	3,286,502	2,722,802
Rental of facilities and equipment		2,147,928	2,220,540
Fines		890,451	989,573
Licences and permits		3,018,595	2,702,429
Government grants & subsidies	16	154,434,330	123,823,677
Fees earned		574,492	455,432
Commissions received		129,007	191,649
Recoveries		751,263	-
Donation		15,000	-
Interest received - investment		3,007,361	2,397,609
Total Revenue		178,674,400	154,802,543
Expenditure			
Personnel	19	74,074,011	65,264,528
Remuneration of councillors	20	15,448,389	14,354,084
Depreciation and amortisation		67,466,470	-
Finance costs	22	443,555	648,738
Debt impairment	21	9,858,343	20,646,806
Repairs and maintenance		6,483,573	1,891,997
Bulk purchases	24	2,838,504	3,056,977
Cost of housing sold		-	274,000
General Expenses	18	29,597,276	20,567,982
Total Expenditure		206,210,121	126,705,112
(Deficit) surplus for the year		(27,535,721)	28,097,431

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2009	112,952,603	112,952,603
Changes in net assets		
Surplus for the year	28,097,431	28,097,431
Total changes	28,097,431	28,097,431
Balance at 01 July 2010	395,083,310	395,083,310
Changes in net assets		
Surplus for the year	(27,535,721)	(27,535,721)
Prior year adjustments	(2,893,574)	(2,893,574)
Total changes	(30,429,295)	(30,429,295)
Balance at 30 June 2011	364,654,015	364,654,015
Note(s)		

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Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		178,674,400	141,047,277
Interest income		3,007,361	2,397,609
		<u>181,681,761</u>	<u>143,444,886</u>
Payments			
Suppliers		(149,678,632)	(96,320,909)
Finance costs		(414,141)	(327,037)
		<u>(150,092,773)</u>	<u>(96,647,946)</u>
Net cash flows from operating activities	25	<u>31,588,988</u>	<u>46,796,940</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(343,162,494)	(26,578,926)
Purchase of other intangible assets	3	(245,786)	62,782
Proceeds from sale of investments		-	331,236
Other non-cash items		335,947,891	9,257,280
		<u>(7,460,389)</u>	<u>(16,927,628)</u>
Net cash flows from investing activities		<u>(7,460,389)</u>	<u>(16,927,628)</u>
Cash flows from financing activities			
Finance lease payments		(762,537)	(940,746)
		<u>(762,537)</u>	<u>(940,746)</u>
Net increase/(decrease) in cash and cash equivalents		23,366,062	28,928,566
Cash and cash equivalents at the beginning of the year		16,800,196	1,645,456
Cash and cash equivalents at the end of the year	8	<u>40,166,258</u>	<u>30,574,022</u>

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. BASIS OF PRESENTATION

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.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

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

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

Entities are required to apply the standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:

GRAP 1	Presentation of financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction Contracts
GRAP 13	Leases
GRAP 14	Events After the reporting Date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 102	Intangible Assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

Directives issued and effective:

Directive 1	Repeal of Existing Transactional Provisions in, and Consequential Amendments to, Standards of GRAP.
Directive 5	Determining the GRAP reporting framework.
Directive 7	The application of Deemed Costs on the Adoption Standards of GRAP.

These annual financial statements have been prepared in accordance with 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).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

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.

COMPARATIVE INFORMATION

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

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 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

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

These accounting policies are consistent with the previous period unless otherwise stated.

1.1 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.

1.1.1. INITIAL RECOGNITION

Items of Property plant and equipment are initially recognised as assets on acquisition date and initially recorded at cost. The cost of an item of property plant and equipment is the purchase price and the other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in a 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 assets and restoring the site in which it was located.

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 the asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the 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.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Property, plant and equipment (continued)

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.

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.

1.1.2. SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.1.3. 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.

1.1.4. DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets [or state other method used, e.g. production-unit- or diminishing balance method]. 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

Roads and Paving	30 years
Pedestrian Malls	30 years
Electricity	20-30 years
Water	15-20 years
Sewerage	15-20 years

Community

Buildings	30 years
Recreational Facilities	20-30 years
Security	5 years
Halls	30 years
Libraries	30 years
Parks and gardens	20-30 years
Other assets	20-30 years

Heritage assets

Buildings	30 years
Paintings and artifacts	Infinite

Finance lease assets

Vehicles	5 years
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Accounting Policies

1.1 Property, plant and equipment (continued)

Other assets

Buildings	30 years
Specialist vehicles	10 years
Other vehicles	5 years
Office equipment	7 years
Furniture and fittings	10 years
Watercraft	15 years
Bins and containers	5 years
Specialised plant and equipment	15 years
Other items of plant and equipment	5 years
Landfill sites	30 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.

1.1.5. DERECOGNITION

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.

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Accounting Policies

1.2 Intangible Assets

1.2.1. INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, 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 capitalised. 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.

1.2.2. SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. Expenditure of an intangible asset is recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. Residual value of intangible asset is estimated to be nil.

1.2.3. 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
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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.

1.2.4. DERECOGNITION

Intangible assets 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 intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.3 Investment property

1.3.1. INITIAL RECOGNITION

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

At initial recognition, the 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.

1.3.2. SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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.

1.3.3. SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

1.4 Financial instruments

1.4.1. 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. 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.

1.4.2. Trade payables and Borrowings

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

1.4.3. 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.

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Accounting Policies

1.5 Leases

1.4.1. 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.

1.4.2. 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 instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

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

Retirement benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

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Accounting Policies

1.7 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 (for example in the case of obligations for the rehabilitation of land).

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

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.

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Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.8 Revenue from exchange transactions

1.7.1. REVENUE FROM 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 electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

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.

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

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

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

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

1.7.2. 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.

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.

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.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1.8 Revenue from exchange transactions (continued)

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

1.9 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.

1.10 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.

1.11 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.

1.12 Grants, Transfers 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.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

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2. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	147,704,387	(79,749,860)	67,954,527	12,383,277	-	12,383,277
Plant and machinery	4,765,143	(2,095,670)	2,669,473	3,884,406	-	3,884,406
Furniture and fixtures	-	-	-	2,412,559	-	2,412,559
Motor vehicles	3,482,205	(2,714,214)	767,991	6,844,874	-	6,844,874
Office equipment	652,011	(316,011)	336,000	562,806	-	562,806
Computer equipment	409,002	-	409,002	1,658,152	-	1,658,152
Infrastructure	978,820,621	(829,642,783)	149,177,838	133,109,601	-	133,109,601
Community	27,957,461	(6,963,525)	20,993,936	667,350	-	667,350
Other property, plant and equipment	-	-	-	1,029,946	-	1,029,946
Investment property	152,859,020	(14,179,334)	138,679,686	-	-	-
Total	1,316,649,850	(935,661,397)	380,988,453	162,552,971	-	162,552,971

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Buildings	12,383,277	135,321,110	-	-	(79,749,860)	67,954,527
Plant and machinery	3,884,406	-	-	-	(1,214,933)	2,669,473
Furniture and fixtures	2,412,559	-	(2,412,559)	-	-	-
Motor vehicles	6,844,874	-	-	-	(6,076,883)	767,991
Office equipment	562,806	-	-	-	(226,806)	336,000
Computer equipment	1,658,152	-	(1,249,150)	-	-	409,002
Infrastructure	133,109,601	34,036,489	-	-	(17,968,252)	149,177,838
Community	667,350	20,945,875	-	-	(619,289)	20,993,936
Other property, plant and equipment	1,029,946	-	(1,029,946)	-	-	-
Investment property	-	152,859,020	-	(14,179,334)	-	138,679,686
	162,552,971	343,162,494	(4,691,655)	(14,179,334)	(105,856,023)	380,988,453

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Buildings	12,383,277	-	12,383,277
Plant and machinery	3,858,556	25,850	3,884,406
Furniture and fixtures	2,025,561	386,998	2,412,559
Motor vehicles	6,844,874	-	6,844,874
Office equipment	367,864	194,942	562,806
Computer equipment	1,099,761	558,391	1,658,152
Infrastructure	107,896,275	25,213,326	133,109,601
Community	667,350	-	667,350
Other property, plant and equipment	830,527	199,419	1,029,946
	135,974,045	26,578,926	162,552,971

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

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3. Intangible Assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	183,004	-	183,004	(62,782)	-	(62,782)

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Total
Computer software, other	(62,782)	245,786	183,004

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Total
Computer software, other	-	(62,782)	(62,782)

4. Employee benefit obligations

Defined benefit plan

The Municipality has defined the benefit obligation in terms of Long Service Awards. The independent valuers, PriceWaterHouseCoopers, carry out a statutory valuation on an annual basis with regards to the Long Service Award "LSA).

Details of the obligation relating to the long service award obligation are detailed below:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	2,350,000	2,076,000
Net expense recognised in the bank overdraft	403,000	274,000
Closing balance	2,753,000	2,350,000

Net expense recognised in the bank overdraft

Current service cost	303,000	202,000
Past service cost	220,000	199,000
Interest cost	345,000	101,000
Actuarial (gains) losses	(465,000)	(228,000)
Total included in employee related costs	403,000	274,000

5. Trade and other receivables from exchange transactions

R/D Cheques	4,465	32,172
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6. VAT receivable

VAT	17,042,628	10,809,606
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Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
7. Consumer debtors		
Gross balances		
Rates	50,580,659	48,701,547
Refuse	18,691,271	16,046,001
Housing rental	9,071,311	7,857,132
Fire Levy	3,546,414	3,615,788
	81,889,655	76,220,468
Less: Provision for debt impairment		
Rates	(50,588,216)	(43,662,373)
Refuse	(17,500,378)	(15,587,046)
Housing rental	(8,509,111)	(7,475,840)
Fire Levy	(3,552,498)	(3,566,600)
	(80,150,203)	(70,291,859)
Net balance		
Rates	(7,557)	5,039,174
Refuse	1,190,893	458,955
Housing rental	562,200	381,292
Fire Levy	(6,084)	49,188
	1,739,452	5,928,609
Rates		
Current (0 -30 days)	136,156	564,198
31 - 60 days	383,152	839,133
61 - 90 days	130,395	799,016
91 - 120 days	129,437	794,749
121 - 365 days	126,123	802,455
> 365 days	50,412,324	44,901,996
	51,317,587	48,701,547
Refuse		
Current (0 -30 days)	329,410	269,174
31 - 60 days	298,748	236,678
61 - 90 days	295,265	228,405
91 - 120 days	278,856	227,238
121 - 365 days	17,493,769	15,084,506
	18,696,048	16,046,001
Housing rental		
Current (0 -30 days)	163,508	253,689
31 - 60 days	135,377	130,626
61 - 90 days	132,659	149,169
91 - 120 days	132,295	224,540
121 - 365 days	132,429	139,043
> 365 days	8,376,163	6,960,065
	9,072,431	7,857,132
Fire Levy		
Current (0 -30 days)	-	235
31 - 60 days	-	233
> 365 days	3,547,043	3,615,320
	3,547,043	3,615,788

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
7. Consumer debtors (continued)		
Reconciliation of debt impairment provision		
Balance at beginning of the year	(70,291,859)	(49,645,053)
Contributions to provision	(9,858,344)	(20,646,806)
	(80,150,203)	(70,291,859)

Consumer debtors past due but not impaired

Past due and impaired	80,788,402	70,291,859
Past due but not impaired	-	2,428,286
Neither past due nor impaired	-	3,500,232

Consumer debtors impaired

The amount of the provision was R 80,788,402 as of 30 June 2011 (2010: R 70,291,859).

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,282,235	3,080,380
Short-term deposits	11,336,371	16,435,052
Bank overdraft	-	(2,715,236)
	12,618,606	16,800,196
Current assets	12,618,606	19,515,432
Current liabilities	-	(2,715,236)
	12,618,606	16,800,196

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
Current Account (Primary Bank account) Meeg Bank - Butterworth Branch - Account Number 40 52 732 025	-	1,716,842	523,659	1,981,613	182,347	(5,182,526)
Current Account/Car Registration and Licensing Account (61 185 023 789)	-	375,839	356,500	-	399,266	379,928
Primary Bank Account - FNB - Current - 62 247 497 872	527,135	1,693,112	-	(9,827)	2,682,612	-
Total	527,135	3,785,793	880,159	1,971,786	3,264,225	(4,802,598)

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Finance lease obligation		
Minimum lease payments due		
- within one year	393,426	584,168
- in second to fifth year inclusive	946,811	1,489,191
Present value of minimum lease payments	1,340,237	2,073,359
Present value of minimum lease payments due		
- within one year	393,426	584,168
- in second to fifth year inclusive	946,811	1,489,191
	1,340,237	2,073,359
Non-current liabilities	1,072,525	1,489,191
Current liabilities	267,711	584,168
	1,340,236	2,073,359

MEEG BANK: TRACTORS AND TRAILERS

Liability under finance lease agreement payable in monthly instalments of R6 185 and R2 814 over a period of 3 years at an interest rate of 2.5% below prime per year. The lease is secured over the asset acquired. These were settled during the year ended 30 June 2011.

MEEG BANK: QUANTUM AND 2X TWIN CABS

Liability under finance lease agreement payable in monthly instalments R5 986 and R13 334 over a period of 5 years at an interest rate 2.5% below prime per year. The lease is secured over the asset acquired.

TOYOTA FINANCE: 8X VEHICLES

Liability under finance agreement payable in monthly instalments of R28 641 over a period of 6 years at an interest rate of 14.5% per year linked at a current prime rate less 1%. The lease is secured over the asset acquired.

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Conditional grants from spheres of government	7,228,926	8,606,954
Other conditional grants	2,740,546	3,663,892
	9,969,472	12,270,846

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

11. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	14,494,000	368,262	-	14,862,262
Performance bonus	1,376,522	-	(681,230)	695,292
	15,870,522	368,262	(681,230)	15,557,554

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Environmental rehabilitation	-	14,494,000	14,494,000
Performance bonus	1,376,522	-	1,376,522
	1,376,522	14,494,000	15,870,522
Non-current liabilities		14,862,262	14,494,000
Current liabilities		695,292	1,376,522
		15,557,554	15,870,522

LANDFILL SITE:

The municipality operates land fill site in Butterworth; it is approximately at 5224 square meters. The municipality has no licence to operate the site and the municipality made a tender during the financial year for the provision of rehabilitation of the site and closure.

12. Trade and other payables from exchange transactions

Trade payables	3,378,752	7,887,749
Other payables	8,079,202	5,596,572
Cape Joint Pension fund	-	2,762,344
Accrued leave pay	6,844,377	6,199,346
	18,302,331	22,446,011

13. Revenue

Property rates	10,419,471	19,298,832
Service charges	3,286,502	2,722,802
Rental of facilities & equipment	2,147,928	2,220,540
Fines	890,451	989,573
Licences and permits	3,018,595	2,702,429
Government grants & subsidies	154,434,330	123,823,677
	174,197,277	151,757,853

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

Service charges	3,286,502	2,722,802
Rental of facilities & equipment	2,147,928	2,220,540
Licences and permits	3,018,595	2,702,429
	8,453,025	7,645,771

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
13. Revenue (continued)		
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	10,419,471	19,298,832
Fines	890,451	989,573
Transfer revenue		
Government grant	154,434,330	123,823,677
	165,744,252	144,112,082
14. Property rates		
Rates received		
Residential, Commercial and State	10,419,471	19,298,832
Valuations		
Residential	406,852,900	406,852,900
Commercial	-	219,413,100
State	219,413,100	-
	626,266,000	626,266,000
<p>Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.</p>		
<p>A general rate of R0.01532 (2010: R .03) is applied to property valuations to determine assessment rates. Rebates of R20 000 are granted to residential and state property owners.</p>		
<p>Rates are levied on an annual basis on property owners.</p>		
15. Service charges		
Refuse removal	3,286,502	2,722,802
16. Government grants and subsidies		
Equitable share	112,591,984	92,021,547
Government grant - MIG	36,264,028	28,404,701
Government grant (Other)	5,578,318	3,397,429
	154,434,330	123,823,677
17. Other revenue		
Fees earned	574,492	455,432
Commissions received	129,007	191,649
Under/Over provision	751,263	-
Donation	15,000	-
	1,469,762	647,081

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
18. General expenses		
Auditors remuneration	3,127,967	732,902
Consulting and professional fees	56,137	-
Consumables	1,537,771	-
Hire	42,387	-
Electricity	554,296	-
Operating Projects	5,302,252	6,893,006
General expenses	14,697,168	11,930,700
Environmental Rehabilitation	368,262	720,174
Operating Leases	2,058,488	291,200
Other expenditure	1,852,548	-
	29,597,276	20,567,982

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
19. Employee related costs		
Basic	51,487,530	39,016,529
Bonus	4,230,010	3,841,046
Medical aid - company contributions	3,158,368	2,537,172
UIF	428,835	335,762
WCA	84,724	-
Other payroll levies	153,328	405,325
Leave pay provision charge	2,062,518	1,304,185
Post-employment benefits - Pension - Defined contribution plan	8,414,620	9,225,549
Travel, motor car, accommodation, subsistence and other allowances	1,451,483	1,023,667
Overtime payments	904,645	661,824
Acting allowances	803,532	460,465
Car allowance	789,080	789,848
Housing benefits and allowances	105,338	141,419
	74,074,011	59,742,791
Remuneration of Municipal Manager		
Annual Remuneration	721,311	685,607
Car Allowance	112,001	107,866
Performance Bonuses	-	210,240
Contributions to UIF, Medical and Pension Funds	1,497	-
Cell phone allowance	51,152	50,149
	885,961	1,053,862
Remuneration of Chief Finance Officer		
Annual Remuneration	363,979	339,241
Car Allowance	121,488	109,826
Performance Bonuses	-	118,000
Contributions to UIF, Medical and Pension Funds	148,761	133,568
Cell phone allowance	45,871	39,554
	680,099	740,189
Remuneration of Legal Advisor		
Annual Remuneration	358,170	340,258
Car Allowance	139,857	134,694
Contributions to UIF, Medical and Pension Funds	163,004	155,544
Cell phone allowance	24,000	24,000
Computer allowance	4,662	4,490
	689,693	658,986
Remuneration of Director Strategic Management		
Annual Remuneration	377,256	358,913
Car Allowance	106,558	102,624
Performance Bonuses	-	96,469
Contributions to UIF, Medical and Pension Funds	108,779	103,321
Cell phone allowance	58,609	57,331
	651,202	718,658
Remuneration of Corporate and Human Resources (Corporate Services)		
Annual Remuneration	573,518	547,439
Car Allowance	112,865	108,698

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
19. Employee related costs (continued)		
Performance Bonuses	-	125,000
Contributions to UIF, Medical and Pension Funds	1,497	-
Cell phone allowance	32,675	32,355
	720,555	813,492
Remuneration of Director Infrastructural Development		
Annual Remuneration	625,756	598,189
Car Allowance	-	96,469
Contributions to UIF, Medical and Pension Funds	1,497	-
Cell phone allowance	24,000	24,000
	651,253	718,658
Remuneration of Director Community Services		
Annual Remuneration	567,102	541,259
Car Allowance	119,281	114,878
Performance Bonuses	-	129,400
Contributions to UIF, Medical and Pension Funds	1,497	-
Cell phone allowance	32,675	32,355
Unapid Leave	(2,247)	-
	718,308	817,892
20. Remuneration of Councillors		
Executive Major	2,619,860	1,997,768
Speaker	696,487	763,762
Councillors	12,132,042	11,592,554
	15,448,389	14,354,084
21. Debt impairment		
Debts impaired	9,858,343	20,646,806
22. Finance costs		
Trade and other payables	194,141	1,625
Finance leases	29,414	321,701
Bank	220,000	325,412
	443,555	648,738
23. Auditors' remuneration		
Fees	3,127,967	732,902
24. Bulk purchases		
Electricity and Paraffin	2,838,504	3,056,977

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
25. Cash generated from operations		
(Deficit) surplus	(27,535,721)	28,097,431
Adjustments for:		
Depreciation and amortisation	67,466,470	-
Finance costs - Finance leases	29,414	321,701
Debt impairment	9,858,343	20,646,806
Movements in retirement benefit assets and liabilities	403,000	274,000
Movements in provisions	(312,968)	1,376,522
Changes in working capital:		
Trade and other receivables from exchange transactions	27,707	24,826
Consumer debtors	(5,669,186)	(13,569,582)
Trade and other payables from exchange transactions	(4,143,675)	6,836,222
VAT	(6,233,022)	(1,983,285)
Unspent conditional grants and receipts	(2,301,374)	4,772,299
	31,588,988	46,796,940
26. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure	45,308,265	27,320,708
Not yet contracted for and authorised by accounting officer		
• Infrastructure	441,629	28,841,707
• Community	-	11,518,803
	441,629	40,360,510

Commitments are to be funded from government grants.

27. Contingencies

Litigation is in the process against the municipality relating to a dispute with a competitor who alleges that the municipality has infringed patents and is seeking damages of R -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Should the action be successful the municipality does have insurance cover to cover litigation costs and claims. The total cover extended by the current policy amounts to R -.

The municipality has offered termination benefits to all of its employees to encourage early retirement. The municipality has finalised and agreed, with the trade unions, the terms and conditions of the plan. The plan has been implemented and will continue for the next nine months. Management are uncertain about the number of employees who will accept the offer. If all employees take the offer the potential financial effect would approximately be R -.

There is no reimbursement from any third parties for potential obligations of the municipality.

An associate is being sued for violation of copyrights. The municipality's share of the potential claim amounts to R -. The associate's lawyers and management are of the opinion that the law suit will be successful but are unable to reliably determine the amount of penalties and damages payable.

The municipality is severally liable for the liabilities of its associate. The associate is profitable and is currently able to meet all of its present obligations.

Litigation is in the process against the a competitor relating to a dispute whereby the competitor has infringed patents and the municipality is seeking damages of R -. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next two years.

Unfilled conditions and other contingencies attaching to government grants related to agricultural activity.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

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28. Related parties

Key Management Information - Before 18 May 2011

Executive Mayor	Cllr N. Dyantyi
Mayoral Committee Member	Cllr T.V. Nowanga [Portfolio Head: Infrastructure]
Mayoral Committee Member	Cllr Z. Mlokoti [Portfolio Head: Community Services]
Mayoral Committee Member	Cllr M.V. Qwabe [Portfolio Head: Housing]
Mayoral Committee Member	Cllr N. Sibini [Portfolio Head: BTO]
Mayoral Committee Membe	Cllr N. Dube [Portfolio Head: Strategic Management]
Mayoral Committee Member	Cllr P.N. Buso [Portfolio Head: SPU]
Mayoral Committee Member	Cllr W.M. Makwethu [Portfolio Head: Water and Sanitation]
Mayoral Committee Member	Cllr z. Lavisa [Portfolio Head; Corporate Services]
Mayoral Committee Member	Cllr N. Pikela [Portfolio Head: communication]
Mayoral Committee Member	Cllr B.W. Mampofu [Portfolio Head: Social Services]
Municipal Manager	N. Pakade
KEY MANAGEMENT INFORMATION - AFTER 18 MAY 2011	-
Executive Mayor	Cllr B. Ganjana
Chief whip	Cllr Mngwazi
Mayoral Committee Member	Cllr Mbangxa [Portfolio Head: Corporate Services]
Mayoral Committee Member	Cllr Jikwana [Portfolio Head: Budget & Treasury]
Mayoral Committee Member	Cllr Ntanga [Portfolio Head: Strategic Management]
Mayoral Committee Member	Cllr Bikitsha [Portfolio Head: Community Services]
Mayoral Committee Member	Cllr Ncetezo [Portfolio Head: Infrastructure]
Mayoral Committee Member	Cllr Noganta [Portfolio Head: SPU]
Mayoral Committee Member	Cllr Sheleni [Portfolio Head: Water and Sanitaion]
Mayoral Committee Member	Cllr Ntshebe [Portfolio Head: Housing]
Mayoral Committee Member	Cllr Madikane [Portfolio Head: LED]
Mayoral Committee Member	Cllr Tongo [Portfolio Head: Communications]
Municipal Manager	N. Pakade

In the year under review, all senior managers and Councillors declared their business interests. These business were compared to the operations during the year and no related party transactions were identified.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

29. Prior period errors

NATURE

VAT

Prior year errors relating to VAT entries not properly processed were corrected. The errors corrected relate to instances where input VAT was claimed on amounts from the South African Revenue Services but the VAT portion of the accounts were not appropriately reallocated from the various expenditure accounts to the relevant VAT account.

BANK OVERDRAFT

Prior year period errors relating to the transactions processed to the bank overdraft were corrected. The errors corrected relate to transactions in the MEEG Bank account not appropriately allocated in prior year periods

IMPACT

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
29. Prior period errors (continued)		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
VAT Receivable		
Balance per 2010 Annual Report		2,702,850
Increase in VAT receivable relating to 2010 expenditure	3	195,922
Increase in VAT receivable relating to 2009 expenditure	3	5,042,321
Increase in VAT receivable relating to 2008 expenditure	3	1,812,289
Increase in VAT receivable relating to 2007 expenditure	3	1,056,223
Restated balance disclosed in corresponding figures		10,809,606
BANK OVERDRAFT		
Balance per the 2010 Annual Report		-2,715,236.00
decrease in overdrawn balance due to corrections prior to 30 June 2009	1	5,230,060.95
Increase in overdrawn balance due to corrections for the year ending 30 June 2010	2	-1,067,818.34
Corrections processed relating to the year ending 30 June 2010		
Restated balance disclosed in corresponding figures		1,447,006.61
Accumulated Surplus		
Balance per 2010 Annual Report		-133,663,455.00
Increase due to the correction of VAT	3	-7,910,833.00
Increase due to corrections of Bank	1	-5,230,060.95
Restated balance disclosed in corresponding figures		146,804,348.95
PROPERTY PLANT AND EQUIPMENT		
Balance per 2010 Annual Report		48,480,204.00
Decrease due to correction of Bank overdraft transactions		193,766.22
Decrease due to correction of VAT	3	-80,571.79
Restated balance disclosed in corresponding figures		-21,924,210.97
Consumer Debtors		
Balance per 2010 annual Report		5,928,609.00
Decrease due to correction of bank overdraft transactions	2	56,862.62
Restated balance disclosed in corresponding figures		5,985,471.62
Trade and Other Payables from exchange transactions		
Balance per 2010 Annual Report		-22,446,007.00
Decrease due to correction of bank overdraft transactions	2	521,796.03
Increase due to correction of VAT transactions		-57,339.38
Restated balance disclosed in corresponding figures		-21,924,210.97
Cash and Cash Equivalents		
Balance per 2010 annual Report		19,515,432.00
Decrease due to correction of bank overdraft transactions	2	-114,813,95.00
Restated balance disclosed in corresponding figures		19,400,618.05

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand 2011 2010

29. Prior period errors (continued)

Statement of Financial performance

Surplus for the year ended 30 June 2010 as previously reported		-28,817,605.00
Decrease in other expenses due to correction of bank overdraft transactions	2	228,252.43
Decrease in other expenses due to correction of VAT transactions	3	-58,010.53
Increase in other income due to correction of bank overdraft transactions	2	181,954.99

30. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 9 cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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

At 30 June 2011, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, surplus for the year would have been R - (2010: R 20,733).

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.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

31. 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.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
32. Events after the reporting date		
The Municipality is not aware of any matter or circumstance arising since the end of the financial year.		
33. Fruitless and wasteful expenditure		
Interest on overdue accounts	-	1,624
Interest charged on retirement benefits	220,000	12,025
Interest on workmans compensation	528,768	148,948
Catering for IDB/Budget Road Show	27,565	-
	776,333	162,597
34. Reconciliation between budget and bank overdraft		
Reconciliation of budget surplus/deficit with the surplus/deficit in the bank overdraft:		
Net (deficit) surplus per the bank overdraft	(27,535,721)	28,097,431
35. Additional disclosure in terms of Municipal Finance Management Act		
Audit fees		
Opening balance	967,562	375,456
Current year subscription / fee	2,160,405	1,325,008
Amount paid - current year	(3,127,967)	(732,902)
	-	967,562
VAT		
VAT receivable	17,042,628	10,809,606
VAT output payables and VAT input receivables are shown in note .		
All VAT returns have been submitted by the due date throughout the year.		
36. Utilisation of Long-term liabilities reconciliation		
Long term liabilities raised	-	2,692,402
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. No cash has been set aside to ensure that long-term liabilities can be repaid on redemption date as the liability is being paid on amonthly basis..		
37. Retirement Benefit Information		
Current Obligation Shortfall	-	2,762,344

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Notes to the Annual Financial Statements

Figures in Rand

2011

2010

37. Retirement Benefit Information (continued)

All employees belong to all 4 defined benefit retirement funds administered by the Cape Joint Pension Fund, Cape Joint Retirement Fund, National Fund for Municipal Workers and SAMWU National Provident Fund.

All Councillors belong to 1 defined benefit retirement fund administered by the Municipal Councillors Pension Fund.

All current contributions have been expensed for the year ended 30 June 2010.

Shortfalls in Annual Earnings of Cape Joint Pension Fund:

Since the financial year ended 30 June 2009 the Actuary of the Cape Joint Pension Fund reported that the fund had an actual return on investment of 0.94%. In terms of rule 17(5) of the fund pertaining to the defined benefit, the local authorities associated with the fund are required to make up any shortfall between actual return on investment and 5.5%. As a result the fund is in shortfall of R195 960 725 of which Mnquma share is R2 762 343.

This was paid during the year ended 30 June 2011.

Mnquma Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Loan Stock		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed written off during the period	Balance at 30 June 2011	Carrying Value of Property, Plant & Equip	Other Costs in accordance with the MFMA
		Rand	Rand	Rand	Rand	Rand	Rand
		-	-	-	-	-	-
		-	-	-	-	-	-
Bonds							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Other loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Lease liability							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

Mnquma Local Municipality
Mnquma Local Municipality
Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated depreciation						
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	1,122,939	2,064	-	-	-	-	1,125,003	-	-	-	(102,519)	-	(102,519)	1,022,484
	1,122,939	2,064	-	-	-	-	1,125,003	-	-	-	(102,519)	-	(102,519)	1,022,484
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Mnquma Local Municipality
Mnquma Local Municipality
Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2010
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	1,122,939	2,064	-	-	-	-	1,125,003	-	-	-	(102,519)	-	(102,519)	1,022,484
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Mnquma Local Municipality
Mnquma Local Municipality
Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2010
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand	
	1,122,939	2,064	-	-	-	-	1,125,003	-	-	-	(102,519)	-	(102,519)	1,022,484	
Agricultural/Biological assets															
Agricultural Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Intangible assets															
Computers - software & programming Other	361	(477)	-	-	-	-	(116)	-	-	-	-	-	-	(116)	
	361	(477)	-	-	-	-	(116)	-	-	-	-	-	-	(116)	
Investment properties															
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total															
Land and buildings Infrastructure Community Assets Heritage assets Specialised vehicles Other assets	- 1,122,939 - - - -	- 2,064 - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- 1,125,003 - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- - - - - -	- 1,022,484 - - - -
Agricultural/Biological assets Intangible assets Investment properties	- 361 -	- (477) -	- - -	- - -	- - -	- - -	- - -	- (116) -	- - -	- - -	- - -	- - -	- - -	- - -	- (116) -
	1,123,300	1,587	-	-	-	-	1,124,887	-	-	-	(102,519)	-	(102,519)	1,022,368	

Mnquma Local Municipality

Appendix E(1)

June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	10,419,471	-	10,419,471	-	
Service charges	3,286,502	-	3,286,502	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	2,147,927	-	2,147,927	-	
Interest received (trading)	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	-	-	-	-	
Public contributions and donations	-	-	-	-	
Fines	890,451	-	890,451	-	
Licences and permits	3,018,595	-	3,018,595	-	
Government grants & subsidies	154,434,330	-	154,434,330	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	574,493	-	574,493	-	
Commissions received	129,007	-	129,007	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	751,263	-	751,263	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	15,000	-	15,000	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	3,007,361	-	3,007,361	-	

Mnquma Local Municipality

Appendix E(1)

June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Interest received - other	-	-	-	-
Dividends received	-	-	-	-
	178,674,400	-	178,674,400	-
Expenses				
Personnel	(74,074,008)	-	(74,074,008)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(15,448,391)	-	(15,448,391)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(67,288,991)	-	(67,288,991)	-
Impairment	-	-	-	-
Amortisation	(177,479)	-	(177,479)	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(443,555)	-	(443,555)	-
Debt impairment	(9,858,343)	-	(9,858,343)	-
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(6,483,573)	-	(6,483,573)	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	(2,838,503)	-	(2,838,503)	-
Contracted Services	-	-	-	-
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(29,597,274)	-	(29,597,274)	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	(206,210,117)	-	(206,210,117)	-
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-

Mnquma Local Municipality

Appendix E(1)

June 2011

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal.	Current year 2010 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	-	-	-	-
Net surplus/ (deficit) for the year	(27,535,717)	-	(27,535,717)	-

Mnquma Local Municipality
 Appendix F
 Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
 June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					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 noncompliance
			Jul	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Equitable Share	Mnquma Local Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Mnquma Local Municipality
 Appendix F
 Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
 June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					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 noncompliance
			Jul	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Equitable Share	Mnquma Local Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Mnquma Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					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 noncompliance
			Jul	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun			
Equitable Share	Mnquma Local Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.