

[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2011

TSOLWANA LOCAL MUNICIPALITY

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TSOLWANA LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

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

COUNTRY OF ORIGIN AND LEGAL FORM

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

JURISDICTION

The Tsolwana Municipality includes the following areas:

*Tarkastad
Hofmeyr*

MUNICIPAL MANAGER

S Dayi

CHIEF FINANCIAL OFFICER

GJ de Jager

REGISTERED OFFICE

Tarkastad

AUDITORS

Office of the Auditor General (EC)

PRINCIPLE BANKERS

First National Bank, Tarkastad

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

TSOLWANA LOCAL MUNICIPALITY

MEMBERS OF THE TSOLWANA LOCAL MUNICIPALITY

UP TO 19 MAY 2011

COUNCILLORS

Ward 1	Mangcotywa	Mhlangabezi	079 516 6588		
Ward 2	Baleng	Teko	079 516 6477		
Ward 3	Hlahla	Malungelo	079 516 6336		
Proportional	Meje	Nombuso	079 516 6436		
Ward 4	Temo	Nomalady	079 516 6503		
Proportional	Nqiqhi	Khayaletu	079 516 6558		
Ward 5	Setheni	Nkosinathi			
Proportional (MAYOR)	Bennett	Marina	0795166472		
Proportional	Tshambu	Funiswa	079 516 6426		
Proportional	Sparrow	Robert	083 419 3170 /	Boast	Carol

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 67 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

S Dayi

Municipal Manager

Date

083 788 1534

jes 1 to
on behalf

TSOLWANA LOCAL MUNICIPALITY

MEMBERS OF THE TSOLWANA LOCAL MUNICIPALITY

FROM 01 JUNE 2011

COUNCILLORS

Ward 1	Mangcotywa	Mhlangabezi	079 516 6588
Ward 2	Baleng	Teko Michael	079 516 6477
Proportional	Dyasi	Vuyelwa	078 149 3730
Ward 4	Nqabisa	Noluthando	078 576 0117
Proportional	Hlomendlini	Gloria	078 713 0612
Ward 5	Van Heerden	Ivan	072 275 1683
Ward 3	Ngcefe	Nkululeko	073 140 4838
Proportional (MAYOR)	Nqiqhi	Khayaletu	079 516 6558
Proportional	Bennett	Marina	0795166472
Proportional	Boast	Carol	083 788 1534

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on page Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the

S Dayi

Municipal Manager

Date

s 1 to 67 in terms of
Municipality.

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
NET ASSETS AND LIABILITIES			
Net Assets		121 665 598	115 790 549
Accumulated Surplus/(Deficit)		121 665 598	115 790 549
Non-Current Liabilities		2 957 063	2 465 485
Long-term Liabilities	2	128 278	178 485
Employee benefits	3	2 828 785	2 287 000
Current Liabilities		9 544 927	9 803 258
Consumer Deposits	4	91 052	87 522
Current Employee benefits	5	1 216 525	1 061 722
Payables from exchange transactions	6	1 948 918	1 468 745
Unspent Conditional Government Grants and Receipts	7	4 230 714	5 898 969
Taxes	8	1 906 428	1 190 817
Cash and Cash Equivalents	16	101 083	58 996
Current Portion of Long-term Liabilities	2	50 207	36 487
Total Net Assets and Liabilities		134 167 588	128 059 293
ASSETS			
Non-Current Assets		115 373 964	106 275 301
Property, Plant and Equipment	9	115 116 219	106 017 556
Investment Property	10	45 000	45 000
Intangible Assets	11	212 745	212 745
Current Assets		18 793 625	21 783 992
Inventory	12	263 389	34 288
Receivables from exchange transactions	13	6 121 153	6 140 981
Receivables from non-exchange transactions	14	1 186 422	481 351
Operating Lease Asset	15	1 172	1 172
Taxes	8	794 385	800 870
Cash and Cash Equivalents	16	10 427 104	14 325 329
Total Assets		134 167 588	128 059 293

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 (Actual) R	2010 (Restated) R	Correction of error R	2010 (Previously reported) R
REVENUE					
Revenue from Non-exchange Transactions		40 022 605	58 090 720	-	58 090 721
Taxation Revenue		1 123 256	222 463	-	222 463
Property taxes	17	1 123 256	222 463	-	222 463
Transfer Revenue		38 893 608	57 485 323	-	57 485 323
Government Grants and Subsidies - Capital	18	9 841 848	12 477 777	-	57 485 323
Government Grants and Subsidies - Operating	18	29 051 761	45 007 546	-	
Public Contributions and Donations		-	-	-	
Other Revenue		5 741	382 934	-	382 934
Actuarial Gains		-	-	-	
Reduction in carrying amount of provision/access provision		-	378 543	-	378 543
Fines		5 741	4 391	-	4 391
Revenue from Exchange Transactions		10 842 030	5 347 510	(43 483)	5 390 993
Service Charges	19	3 792 747	3 615 850	-	3 615 850
Rental of Facilities and Equipment		82 994	70 475	-	70 475
Interest Earned - external investments		561 598	814 141	11 820	802 321
Interest Earned - outstanding debtors		600 901	35 077	-	35 077
Licences and Permits		-	-	-	
Agency Services		5 607 513	547 060	-	547 060
Other Income	20	168 207	264 907	(55 303)	320 210
Gain on disposal of Property, Plant and Equipment		28 070	-	-	
Total Revenue		50 864 635	63 438 231	(43 483)	63 481 714
EXPENDITURE					
Employee related costs	21	14 124 770	6 943 799	70 271	6 873 528
Remuneration of Councillors	22	1 919 483	1 741 602	-	1 741 602
Debt Impairment	23	-	-	-	-
Depreciation and Amortisation	24	-	-	-	-
Impairments	25	-	-	-	-
Repairs and Maintenance		2 887 655	894 709	25	894 684
Actuarial losses	3	185 258	1 190 443	-	1 190 443
Finance Charges	26	30 528	33 420	13 136	20 284
Bulk Purchases	27	5 475 865	3 866 623	-	3 866 623
Contracted services		-	-	-	
Grants and Subsidies	28	4 237	2 490	2 490	-
Stock Adjustments		-	-	-	
Operating Grant Expenditure		10 695 764	29 052 781	-	29 052 781
General Expenses	29	9 666 025	3 833 610	(7 093)	3 840 703
Loss on disposal of Property, Plant and Equipment		-	1 964 823	-	1 964 823
Total Expenditure		44 989 585	49 524 299	78 829	49 445 470
NET SURPLUS/(DEFICIT) FOR THE YEAR		5 875 050	13 913 931	(122 312)	14 036 243

TSOLWANA LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 JULY 2009	45 777	100 163 144	100 208 921
Change in accounting policy		-	-
Correction of error		1 667 697	1 667 697
Restated Balance at 1 JULY 2009	45 777	101 830 841	101 876 618
Net Surplus for the year		13 913 931	13 913 931
Transfer to Accumulated Surplus	(45 777)	45 777	-
Balance at 30 JUNE 2010	-	115 790 549	115 790 549
Net Surplus for the year	-	5 875 050	5 875 050
Transaksies op surplus - stel nog reg			-
Balance at 30 JUNE 2011	-	121 665 598	121 665 598

TSOLWANA LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	30 JUNE 2011 R	30 JUNE 2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		9 149 055	5 292 606
Government - operating		29 051 761	45 007 546
Government - capital		9 841 848	12 477 777
Interest		1 162 499	849 218
Dividends		-	-
Payments			
Suppliers and employees		(44 008 933)	(48 136 204)
Finance charges	26	(30 528)	(33 420)
Transfers and Grants		(4 237)	(2 490)
Cash generated by operations	33	5 161 465	15 455 032
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	9	(9 098 662)	(11 102 069)
Purchase of Investment property		-	-
Proceeds on Disposal of Fixed Assets		28 071	-
Purchase of Intangible Assets		-	(206 682)
Net Cash from Investing Activities		(9 070 592)	(11 308 751)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(36 487)	(22 557)
New loans raised		-	69 844
Increase in Consumer Deposits		3 529	10 535
Net Cash from Financing Activities		(32 958)	57 822
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3 942 085)	4 204 103
Cash and Cash Equivalents at the beginning of the year		14 266 333	10 062 230
Cash and Cash Equivalents at the end of the year	34	10 324 248	14 266 333
NET INCREASE IN CASH AND CASH EQUIVALENTS		(3 942 085)	4 204 103

INSERT ACCOUNTING POLICY

TSOLWANA LOCAL MUNICIPALITY

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

2 LONG-TERM LIABILITIES

Capitalised Lease Liability - At amortised cost	178 485	195 165
Restatement of finance lease previously incorrectly calculated - Refer to note 31.1		19 807
Effect on years prior to 1 July 2009 - Asset		(4 239)
Effect on years prior to 1 July 2009 - Accumulated surplus		7 007
Effect on years prior year - Asset		3 904
Effect on years prior year - Interest cost		13 136
	178 485	214 972
Current Portion transferred to Current Liabilities	50 207	36 487
Capitalised Lease Liability - At amortised cost	50 207	44 139
Effect on 2009/2010		(7 652)
Total Long-term Liabilities - At amortised cost using the effective interest rate method	128 278	178 485

Refer below for maturity dates of long term liabilities:

The obligations under finance leases are scheduled below

	Minimum lease payments	
Amounts payable under finance leases		
Payable within one year	73 768	67 343
Payable within two to five years	148 370	222 138
Payable after five years	-	-
	222 138	289 481
Less: Future finance obligations	(43 653)	(74 509)
Present value of lease obligations	178 485	214 972

Leases are secured by property, plant and equipment - Note 5

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

3 EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 3.1	2 610 682	2 149 979
Long Service Awards - Refer to Note 3.2	218 103	137 021
Total Non-current Employee Benefit Liabilities	2 828 785	2 287 000
<u>Post Retirement Benefits</u>		
Balance 1 July	2 229 443	1 011 116
Contribution for the year	68 127	116 749
Interest Cost	201 955	(79 464)
Actuarial Loss/(Gain)	198 661	1 181 042
Total post retirement benefits 30 June	2 698 186	2 229 443
Less: Transfer of Current Portion - Note 5	(87 504)	(79 464)
Balance 30 June	2 610 682	2 149 979

TSOLWANA LOCAL MUNICIPALITY

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

Long Service Awards

Balance 1 July	201 273	167 136
Contribution for the year	47 436	64 867
Interest Cost	15 136	(40 131)
Expenditure for the year	(7 179)	-
Actuarial Loss/(Gain)	(13 403)	9 401
Total long service 30 June	243 263	201 273
Less: Transfer of Current Portion - Note 5	(25 160)	(64 252)
Balance 30 June	218 103	137 021

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	2 430 716	1 178 252
Contribution for the year	115 563	181 616
Interest cost	217 091	(119 595)
Expenditure for the year	(7 179)	-
Actuarial Loss/(Gain)	185 258	1 190 443
Total employee benefits 30 June	2 941 449	2 430 716
Less: Transfer of Current Portion - Note 5	(112 664)	(143 716)
Balance 30 June	2 828 785	2 287 000

3.1 Post Retirement Benefits

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

In-service (employee) members	23	16
In-service (employee) non-members	67	
Continuation members (e.g. Retirees, widows, orphans)	3	3
Total Members	93	19

The liability in respect of past service has been estimated to be as follows:

In-service members	1 644 952	1 280 123
Continuation members	1 053 234	949 320
Total Liability	2 698 186	2 229 443

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009	2008
	R	R
Total Liability	1 011 116	995 752

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

Bonitas;
LA Health
Samwumed

TSOLWANA LOCAL MUNICIPALITY

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

Key actuarial assumptions used:	%	%
i) Rate of interest		
Discount rate	9%	9%
Health Care Cost Inflation Rate	7%	7%
Net Effective Discount Rate	1%	2%

ii) Mortality rates

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

iii) Normal retirement age

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2 610 736	2 149 979
Net liability/(asset)	2 610 736	2 149 979

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

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	2 229 443	1 011 116
Total expenses	270 136	37 285
Current service cost	68 136	116 749
Interest Cost	202 000	(79 464)
Actuarial (gains)/losses	198 661	1 181 042
Present value of fund obligation at the end of the year	2 698 240	2 229 443
Less: Transfer of Current Portion - Note 5	(87 504)	(79 464)
Balance 30 June	2 610 736	2 149 979

Sensitivity Analysis on the Accrued Liability

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	1.645	1.053	2.698

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	1.982	1.147	3.129	16%
Health care inflation	-1%	1.379	0.970	2.349	-13%
Post-retirement mortality	-1 year	1.699	1.099	2.797	4%
Average retirement age	-1 year	1.809	1.053	2.862	6%
Withdrawal Rate	-50%	1.818	1.053	2.862	6%

3.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses	90	69
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TSOLWANA LOCAL MUNICIPALITY

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

Key actuarial assumptions used:	%	%
i) Rate of interest		
Discount rate	8%	9%
General Salary Inflation (long-term)	6%	6%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2%	2%

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	218 103	201 273
Net liability	218 103	201 273

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2008 R
Total Liability	167 136	151 739
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	201 273	167 136
Total expenses	55 393	24 736
Current service cost	47 436	64 867
Interest Cost	15 136	(40 131)
Benefits Paid	(7 179)	-
Actuarial (gains)/losses	(13 403)	9 401
Present value of fund obligation at the end of the year	243 263	201 273
Less: Transfer of Current Portion - Note 5	(25 160)	(64 252)
Balance 30 June	218 103	137 021

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (R)	% change
Central assumptions		0	
General salary inflation	+1%	0.26	5%
General salary inflation	-1%	0.23	-5%
Average retirement age	-2 yrs	0.23	-5%
Average retirement age	+ 2 yrs	0.26	6%
Withdrawal rates	-50%	0.26	18%

3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year

Contributions paid recognised in the Statement of Financial Performance:	-	-
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TSOLWANA LOCAL MUNICIPALITY

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

CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

Contributions paid recognised in the Statement of Financial Performance:

-	-
---	---

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance:

Government Employees Pension Fund
Municipal Councillors Pension Fund
IMATU Retirement Fund
SAMWU National Provident Fund

-	-
-	-
-	-
-	-
-	-

2010	2009
R	R

4 CONSUMER DEPOSITS

Electricity and water
Correction due to unallocated consumer deposit for 2009/2010

91 052	87 099
-	424

Total Consumer Deposits

91 052	87 522
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Guarantees held in lieu of Electricity and Water Deposits

-	-
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5 The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

CURRENT EMPLOYEE BENEFITS

Current Portion of Post Retirement Benefits - Note 3
Current Portion of Long-Service Provisions - Note 3
Staff Leave
Bonuses
Restatement of TASK implementation due to exclusion of Water and Sanitation departments in previous period - Refer to note
Balance previously reported
Effect on 2009/2010

87 504	79 464
25 160	64 252
517 060	416 980
586 801	346 279
	154 748
	86 100
	68 647

Total Current Employee Benefits

1 216 525	1 061 722
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The movement in current employee benefits are reconciled as follows:

Staff Leave

Balance at beginning of year
Contribution to current portion
Expenditure incurred
Balance at end of year

2010	2009
R	R
416 980	629 580
163 734	(149 240)
(63 654)	(63 361)
517 060	416 980

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Employee Bonuses and Managers Performance bonuses

Balance at beginning of year
Contribution to current portion
Expenditure incurred
Balance at end of year

346 279	298 578
903 754	406 890
(663 231)	(359 189)
586 801	346 279

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The section 57 Managers are entitled to a Performance bonus based on their performances in terms of the employment contract. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

TASK Evaluation

Balance at beginning of year
Contribution to current portion
Expenditure incurred
Balance at end of year

154 748	-
-	154 748
(154 748)	-
-	154 748

The Categorisation and Job Evaluation Wage Curves Collective Agreement became effective on 1 July 2010. Hereby all employees (excluding Municipal Manager, Section 57 Managers and contractual employees) are to receive new wage rates as a result of their jobs being evaluated as per the TASK Job Evaluation System and published by SALGBC. Qualifying employees will receive backpay as from 1 October 2009 as per clause 7.2.6 of the Collective Agreement.

TSOLWANA LOCAL MUNICIPALITY

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

6	PAYABLES FROM EXCHANGE TRANSACTIONS	R	R
	Trade Payables	160 742	203 758
	Suspense accounts in credit	303 319	105 826
	Balance previously reported		465 052
	Correction of monies received prior to 2009/2010 - Refer note 31.3		(269 321)
	Correction of monies received during 2009/2010 - Refer note 31.3		(43 923)
	Correction of monies received during 2008/2009 representing the cash suspense account - Refer note 31.3		(177 493)
	Reallocation of suspense previously in debit now disclosed as Trade Receivable from non-exchange transactions - Refer note 31.3		9 493
	Reallocations of transactions within cash suspense not previously allocated - Refer note 31.3		122 018.30
	Sundry Creditors	66 021	72 128
	Balance previously reported		68 024
	Restatement of opening balance due to understatement of creditors in the past - Refer note 31.1		4 104
	Payments received in advance	648 183	163 239
	Retentions	182 745	259 783
	Water Service Authority payable	587 909	664 010
	Total Trade Payables	1 948 918	1 468 745

Payables are being recognised net of any discounts

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary

The carrying value of trade and other payables approximates its fair value

Sundry deposits include hall, builders and housing Deposits

7	UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	R	R
	Unspent Grants	4 230 714	5 898 969
	National Government Grants	1 793 490	3 834 826
	Provincial Government Grants	1 606 037	1 444 367
	District Municipality	117 685	109 274
	Other Grant Providers	713 502	510 502
	Balance previously reported		1 747 222
	Correction on funds previously reported as unspent conditional no longer unspent conditional - Refer to note 31.1		(1 236 720)
	Total Conditional Grants and Receipts	4 230 714	5 898 969

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

TSOLWANA LOCAL MUNICIPALITY

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

8	TAXES			
	8.1	VAT PAYABLE		
		VAT Payable	634 277	213 709
		VAT output in suspense	1 272 151	977 160
		Correction due to incorrect VAT declared in previous year on consumer deposits	-	(52)
		Total Vat payable	<u>1 906 428</u>	<u>1 190 817</u>
	8.2	VAT RECEIVABLE		
		VAT input in suspense	794 385	800 870
		Total VAT receivable	<u>794 385</u>	<u>800 870</u>
	8.3	NET VAT RECEIVABLE/(PAYABLE)	<u>(1 112 043)</u>	<u>(389 947)</u>
		VAT is receivable/payable on the cash basis		

TSOLWANA LOCAL MUNICIPALITY

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

10	INVESTMENT PROPERTY		
	Net Carrying amount at 1 July	45 000	45 000
	Cost	45 000	45 000
	Acquisitions	-	-
	Transfers from Property, Plant and equipment	-	-
	Net Carrying amount at 30 June	45 000	45 000
	Cost	45 000	45 000
11	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	212 745	6 063
	Cost	212 745	6 063
	Additions	-	206 682
	Net Carrying amount at 30 June	212 745	206 682
	Cost	212 745	212 745
12	INVENTORY		
	Stationary - At cost	39 763	34 288
	Other - At deemed cost	223 626	-
	Total Inventory	263 389	34 288
	Consumable stores materials written down due to losses as identified during the annual stores counts.	-	-
	Consumable stores materials surplusses identified during the annual stores counts.	-	-
	Inventory recognised as an expense during the year	34 288	-
13	RECEIVABLES FROM EXCHANGE TRANSACTIONS		
	Electricity	2 679 186	1 886 633
	Rentals	71 131	38 458
	Refuse	2 408 948	2 008 011
	Other	866 331	998 100
	CHDM Service Authority	4 255 467	5 528 298
	Total Receivables from Exchange Transactions	10 281 064	10 459 499
	Less: Allowance for Doubtful Debts	(4 159 910)	(4 318 518)
	Total Net Receivables from Exchange Transactions	6 121 153	6 140 981
	Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary		
	Ageing of Receivables from Exchange Transactions:		
	<u>(Electricity): Ageing</u>		
	Current (0 - 30 days)	239 142	228 412
	31 - 60 Days	163 420	87 929
	61 - 90 Days	92 103	92 001
	+ 90 Days	2 184 521	1 478 290
	Total	2 679 186	1 886 633
	<u>(Refuse): Ageing</u>		
	Current (0 - 30 days)	51 396	38 437
	31 - 60 Days	43 934	32 510
	61 - 90 Days	42 675	29 004
	+ 90 Days	2 270 944	1 908 060
	Total	2 408 949	2 008 011
	<u>(Rental): Ageing</u>		
	Current (0 - 30 days)	2 714	2 741
	31 - 60 Days	2 719	2 719
	61 - 90 Days	2 719	2 719
	+ 90 Days	62 980	30 280
	Total	71 131	38 458
	<u>(Other): Ageing</u>		
	Current (0 - 30 days)	-	-
	31 - 60 Days	-	-
	61 - 90 Days	-	-
	+ 90 Days	866 331	959 642
	Total	866 331	959 642

TSOLWANA LOCAL MUNICIPALITY

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

(Total): Ageing

Current (0 - 30 days)	293 252	269 590
31 - 60 Days	210 072	123 157
61 - 90 Days	137 497	123 724
+ 90 Days	5 384 776	4 376 272
Total	6 025 597	4 892 743

Reconciliation of Provision for Bad Debts

Balance at beginning of year	4 318 518	4 779 879
Contribution to provision/(Reversal of provision)	-	(461 361)
Bad Debts Written Off	(158 608)	-
Balance at end of year	4 159 910	4 318 518

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

14 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2011 R	2010 R
Rates	2 885 785	2 386 775
Other Receivables	442 510	383 629
Fuel Deposits	5 000	5 000
Employee related debtors	141 706	64 068
Contractor penalties	187 532	187 532
Fruitless and Wasteful expenditure recoverable	90 440	-
Restatement prior year	-	32 962
Other	17 832	94 067
Balance previously reported	-	93 817
Recognition of RD cheque for 2009/2010	-	250
Total Receivables from Non-Exchange Transactions	3 328 294	2 770 403
Less: Allowance for Doubtful Debts	(2 141 872)	(2 289 052)
Total Net Receivables from Non-Exchange Transactions	1 186 422	481 351

Ageing of Receivables from Non-Exchange Transactions

(Rates): Ageing

Current (0 - 30 days)	29 825	157 973
31 - 60 Days	60 987	118 017
61 - 90 Days	55 454	113 062
+ 90 Days	2 739 519	6 483 104
Total	2 885 785	6 872 155

Reconciliation of Provision for Bad Debts

Balance at beginning of year	2 289 052	1 557 114
Contribution to provision/(Reversal of provision)	-	731 938
Bad Debts Written Off	(147 180)	-
Balance at end of year	2 141 872	2 289 052

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

15 OPERATING LEASE ARRANGEMENTS

15.1 The Municipality as Lessor (Asset)

Balance on 1 July	1 172	1 034
Movement during the year	-	137
Balance on 30 June	1 172	1 172

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows

Up to 1 Year	5 091	11 416
1 to 5 Years	-	5 091
More than 5 Years	-	-
Total Operating Lease Arrangements	5 091	16 507

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

16 The leases are in respect of land and buildings being leased out for previous ranging until 2017

	2011 R	2010 R
CASH AND CASH EQUIVALENTS		
<u>Assets</u>		

TSOLWANA LOCAL MUNICIPALITY

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

Call Investments Deposits	8 976 374	13 099 083
Primary Bank Account	-	-
Capital Bank Account	961 791	947 773
Housing Bank Account	488 849	278 383
Cash Floats	90	90
Balance previously reported		5 090
Reallocation of Fuel deposit to Receivables from non-exchange transaction:		(5 000)
Total Cash and Cash Equivalents - Assets	10 427 104	14 325 329

Liabilities

Primary Bank Accounts	101 083	58 996
Total Cash and Cash Equivalents - Liabilities	101 083	58 996

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts

First National Bank - Tarkastad Branch - Account number 53852257262 - Operating	(101 083)	(58 996)
First National Bank - Tarkastad Branch - Account number 62023697157 - Capital	-	-
First National Bank - Tarkastad Branch - Account number 53850009219 - Housing	-	-
	(101 083)	(58 996)

First National Bank - Tarkastad Branch - Account number 53852257262 - Operating

Cash book balance at beginning of year	(58 996)	2 502 725
Cash book balance at end of year	(101 083)	(58 996)

Bank statement balance at beginning of year	396 464	2 686 348
Bank statement balance at end of year	888 513	396 464

First National Bank - Tarkastad Branch - Account number 62023697157 - Capital

Cash book balance at beginning of year	947 773	792 361
Cash book balance at end of year	961 791	947 773

Bank statement balance at beginning of year	1 326 211	881 694
Bank statement balance at end of year	1 496 970	1 326 211

First National Bank - Tarkastad Branch - Account number 53850009219 - Housing

Cash book balance at beginning of year	278 383	181 663
Cash book balance at end of year	488 849	278 383

Bank statement balance at beginning of year	386 002	213 625
Bank statement balance at end of year	488 849	386 002

Call Investment Deposits

2011	2010
R	R

17

PROPERTY RATES

Actual

Rateable Land and Buildings

	1 093 495	1 374 854
Residential, Commercial Property, State	1 093 495	1 374 854
Less: Rebates	29 760	(1 152 392)
Total Assessment Rates	1 123 256	222 463

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009.

	c/R	c/R
Rates:		
Residential Properties	0.54	0.51
Commercial/Business Properties	1.08	1.02
Public Service Infrastructure	-	-
Public Benefit Organisations	0.14	0.13
Industrial Properties	1.08	1.02
Agricultureal Properties used for Agricultural Purposes	0.13	0.13
Agricultureal Properties used for Commercial/Industrial Purpose	0.27	0.25
Agricultureal Properties used for Eco-Tourism, Conservation, Trading In or Hunting of Game	0.27	0.25
Agricultureal Properties not used for Any Purpose/Purpose unknown to Municipalit	0.54	0.51
State Owned Properties	0.13	0.13
Municipal Properties	-	-
Vacant Properties	1.08	1.02

Rates are levied annually and monthly. Monthly rates are payable by the 7th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

18

GOVERNMENT GRANTS AND SUBSIDIES

	R	R
Unconditional Grants	18 161 888	15 627 893
Equitable Share	18 161 888	15 627 893
Conditional Grants	-	-
Grants and donations	-	-
Subsidies	-	-
Total Government Grants and Subsidies	18 161 888	15 627 893

TSOLWANA LOCAL MUNICIPALITY

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

Government Grants and Subsidies - Capita	9 841 848	12 477 777
Government Grants and Subsidies - Operating	29 051 761	45 007 546
	<u>38 893 608</u>	<u>57 485 323</u>

The municipality does not expect any significant changes to the level of grants

18.1 Equitable share

Opening balance	-	-
Grants received	18 161 888	15 627 893
Conditions still to be met	<u>-</u>	<u>-</u>

18.2 Local Government Financial Management Grant (FMG)

Opening balance	-	65 399
Grants received	3 000 000	2 750 000
Conditions still to be met	<u>-</u>	<u>-</u>

18.3 Municipal Systems Improvement Grant

Opening balance	113 513	58 839
Grants received	750 000	735 000
Conditions still to be met	<u>8 382</u>	<u>113 513</u>

TSOLWANA LOCAL MUNICIPALITY

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

18.4	Municipal Infrastructure Grant (MIG)		
	Opening balance	1 207 831	50 925
	Grants received	8 007 000	7 012 000
	Grant expenditure to be recovered	<u>1 780 419</u>	<u>1 207 831</u>
18.5	Housing Grants		
	Opening balance	1 444 367	1 192 594
	Grants received	5 715 213	25 069 162
	Grant expenditure to be recovered	<u>1 606 037</u>	<u>1 444 367</u>
18.6	DME Grant		
	Opening balance	2 513 481	-
	Grants received	-	7 500 000
	Conditions still to be met	<u>4 689</u>	<u>2 513 481</u>
18.6	Chris Hani Local Municipality Grant		
	Opening balance	109 274	-
	Grants received	540 846	2 116 345
	Conditions still to be met	<u>117 685</u>	<u>109 274</u>
18.7	Other Grants		
	Opening balance	510 502	1 086 134
	Grants received	1 050 407	120 000
	Conditions still to be met	<u>713 502</u>	<u>510 502</u>
18.8	Total Grants		
	Opening balance	5 898 969	2 453 891
	Grants received	37 225 353	60 930 401
	Conditions still to be met/(Grant expenditure to be recovered)	<u>4 230 714</u>	<u>5 898 969</u>
19	SERVICE CHARGES		
	Electricity	3 843 298	3 406 193
	Refuse removal	1 235 114	1 148 337
	Less: Rebates	5 078 412	4 554 531
		(1 285 665)	(938 680)
	Total Service Charges	<u>3 792 747</u>	<u>3 615 850</u>

TSOLWANA LOCAL MUNICIPALITY

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

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OTHER INCOME

Sundry income	168 207	308 390
Correction done on monies previously disclosed as unidentified	-	43 923
Correction done on overstatement of income due to duplications in the cash suspense		(87 406)
Total Other Income	168 207	264 907

Sundry income represents sundry income such as building plans, sale of sundry items (wood, sand and stones) and fees for items not included under service charges (camping, fire brigade and impounding fees)

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EMPLOYEE RELATED COSTS

Bargaining Council Levy	4 166	1 624
Bonus	903 754	313 005
Contributions for UIF, pensions and medical aids	1 951 726	1 040 935
Housing Subsidy	7 200	6 600
Leave Reserve Fund	163 734	-
Long service awards	62 572	64 867
Overtime	380 389	322 124
Post Employment Health	270 082	37 285
Salaries and Wages	9 948 968	4 607 894
Correction on task implementation on water and services not previously recorded		68 647
Travel, motor car, telephone, assistance and other allowances	432 179	480 818
Total Employee Related Costs	14 124 770	6 943 799

KEY MANAGEMENT PERSONNEL

Municipal Manager is appointed on a 5-year and all other Directors on a 5-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	463 415	427 525
Performance Bonuses	76 166	-
Car Allowance	158 203	158 203
Telephone allowance	15 600	15 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	114 994	110 123
Total	828 378	711 452

Remuneration of the Director Infrastructure and Technical Services

Annual Remuneration	429 840	386 418
Travelling Allowance	48 000	93 490
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	76 097	74 007
Total	563 536	563 515

Remuneration of the Director Corporate Services

Annual Remuneration	474 181	386 418
Performance Bonuses	33 236	-
Travelling Allowance	48 000	93 490
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	78 728	74 007
Total	643 745	563 515

Remuneration of the Director Financial Services

Annual Remuneration	488 938	395 512
Performance Bonuses	55 393	-
Car Allowance	42 000	92 657
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	69 972	65 769
Total	665 903	563 537

TSOLWANA LOCAL MUNICIPALITY

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

Remuneration of the Director Community and Social Services

Annual Remuneration	474 181	385 280
Performance Bonuses	44 314	-
Car Allowance	48 000	94 628
Telephone allowance	9 600	9 600
Contributions to UIF, Medical, Pension Funds and Bargaining Council	78 729	74 007
Total	654 824	563 515

22 REMUNERATION OF COUNCILLORS

Mayor	472 566	421 260
Councillors	1 446 917	1 320 343
Total Councillors' Remuneration	1 919 483	1 741 602

In-kind Benefits

The Executive Mayor and all the committee members are part-time. The Mayor are provided with secretarial support and an office at the cost of the Council.

23 DEBT IMPAIRMENT

Trade Receivables from exchange transactions - Note 13	-	(461 361)
Trade Receivables from non-exchange transactions - Note 14	-	731 938
Total Contribution to Debt Impairment	-	270 577

24 DEPRECIATION AND AMORTISATION

Property Plant and Equipment	-	-
Investment Property	-	-
Intangible Assets	-	-
	-	-

25 IMPAIRMENTS

Property Plant & Equipment	-	-
	-	-

26 FINANCE CHARGES

Finance leases	30 528	20 284
Correction on incorrect calculation done previously		13 136
Total finance charges	30 528	33 420

27 BULK PURCHASES

Electricity	5 370 608	3 866 623
Water	105 257	-
Total Bulk Purchases	5 475 865	3 866 623

28 GRANTS AND SUBSIDIES

Pauper funerals	4 237	2 490
Total Grants and Subsidies	4 237	2 490

TSOLWANA LOCAL MUNICIPALITY

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

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GENERAL EXPENSES

Audit Fees	2 698 398	1 343 610
Bank Charges	159 265	118 183
Mayor's fund and Imbizc	242 430	68 557
Professional Fees	219 359	236 458
Membership Fees	104 598	118 531
Fuel Cost	1 006 282	175 865
Legal Cost	43 031	12 811
Insurance	482 843	313 839
Project Expenditure - Own Funds	428 893	123 336
Printing and stationery	308 439	154 240
Safety clothes	89 847	25 869
Drought relief	815 522	-
Skills development levy	118 976	64 595
Telephone	250 190	188 713
Training	181 937	72 467
Travel and subsistence	793 599	468 793
Cleaning materials	5 479	238
Advertisement	89 776	51 070
Entertainment	222 478	107 860
Customer care	74 156	-
Vehicle and Equipment hire	90 697	-
Town Planning	231 515	-
Assets on behalf of Chris Hanu District Municipality	177 927	-
Administration charges	321 683	-
Rentals	84 403	29 739
Books, Magazines and Publications	15 348	17 902
Postage	26 071	8 803
Interest on DBSA loan on behalf of Chris Hanu District Municipality	76 616	-
Water purification and chemicals	45 316	-
Other	260 952	135 089
Correction due to stale cheques		(2 954)
General Expenses	9 666 025	3 833 610

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CHANGE IN ACCOUNTING POLICY IN TERMS OF GRAP 3

33

RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS

	R	R
Surplus/(Deficit) for the year	5 875 050	13 913 931
Adjustments for:		
Depreciation	-	-
Amortisation of Intangible Assets	-	-
Gain on disposal of property, plant and equipment	(28 070)	-
Loss on disposal of property, plant and equipment	-	1 964 823
Debt Impairment	-	(270 577)
Contribution to staff leave	100 080	(212 600)
Contribution to employee bonuses	240 523	47 701
Task implementation	(154 748)	154 748
Contribution from/to employee benefits	332 654	62 021
Actuarial Gains	185 258	1 190 443
Impairment written off	-	-
Operating lease income accrued	-	(137)
Operating Surplus/(Deficit) before changes in working capita	6 550 746	16 850 352
Changes in working capita	(1 389 282)	(1 395 319)
Increase/(Decrease) in Trade and Other Payables	471 221	(1 549 947)
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1 668 255)	3 445 078
Increase/(Decrease) in Taxes	722 095	793 002
(Increase)/Decrease in Inventory	(229 101)	(34 288)
(Increase)/Decrease in Trade and other receivables	(685 243)	(4 049 164)
Cash generated/(absorbed) by operations	5 161 465	15 455 032

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CASH AND CASH EQUIVALENTS

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

Call Investments Deposits - Note 16	8 976 374	13 099 083
Cash Floats - Note 16	90	90
Bank other - Note 16	1 450 640	1 226 156
Bank overdraft - Note 16	(101 083)	(58 996)
Total cash and cash equivalents	10 326 021	14 266 333

TSOLWANA LOCAL MUNICIPALITY

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

35 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 34	10 326 021	14 266 333
Less:	10 326 021	14 266 333
Unspent Committed Conditional Grants - Note 7	6 137 142	7 089 786
VAT - Note 8	4 230 714	5 898 969
	1 906 428	1 190 817
Resources available for working capital requirements	4 188 879	7 176 547

36 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	178 485	214 972
Used to finance property, plant and equipment - at cost	(178 485)	(214 972)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

TSOLWANA LOCAL MUNICIPALITY

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

38	UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	2011	2010
		R	R
38.1	<u>Unauthorised expenditure</u>		
	Reconciliation of unauthorised expenditure		
	Opening balance	3 395 598	459 937
	Unauthorised expenditure current year - capital	-	510 666
	Unauthorised expenditure current year - operating	6 377 262	2 424 994
	Written off by council	(3 395 598)	-
	Transfer to receivables for recovery	-	-
	Unauthorised expenditure awaiting authorisation	<u>6 377 262</u>	<u>3 395 598</u>

Unauthorised expenditure on operating votes is mainly due to provisional amounts recognised for depreciation and amortisation of R 4 524 935.

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>None</i>

38.2	<u>Fruitless and wasteful expenditure</u>		
	Reconciliation of fruitless and wasteful expenditure		
	Opening balance	1 166 822	507 442
	Fruitless and wasteful expenditure current year	49 991	659 380
	Written off by council	(1 171 164)	-
	Recovered	(6 757)	-
	Transfer to receivables for recovery	-	-
	Fruitless and wasteful expenditure awaiting further action	<u>38 892</u>	<u>1 166 822</u>

TSOLWANA LOCAL MUNICIPALITY

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

Incident	Disciplinary steps/criminal proceedings
<i>Interest and penalties on late payment of creditors</i>	<i>None</i>

	2010	2009
	R	R
38.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	11 682 176	3 583 007
Irregular expenditure current year	-	8 099 169
Written off by council	(11 682 176)	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	-	-
	<u>-</u>	<u>11 682 176</u>
38.4 Material Losses	2011	2010
Electricity distribution losses		
- Units purchased (Kwh)	-	8 238 666
- Units lost during distribution (Kwh)	-	3 169 548
- Percentage lost during distribution	#DIV/0!	0
39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT 1		
39.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS		
Opening balance	-	-
Council subscriptions	-	114 500
Amount paid - current year	-	(114 500)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
39.2 Audit fees - [MFMA 125 (1)(b)]		
Opening balance	13 124	-
Current year audit fee	-	1 343 610
External Audit - Auditor-General	-	1 343 610
Internal Audit	-	-
Audit Committee	-	-
Amount paid - current year	-	(1 330 486)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	<u>13 124</u>	<u>13 124</u>
39.3 VAT - [MFMA 125 (1)(b)]		
Amounts claimed - current year	-	389 999
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
	2011	2010
	R	R
39.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]		
Opening balance	5 637	5 637
Current year payroll deductions and Council Contribution	-	1 466 071
Amount paid - current year	-	(1 466 071)
Balance unpaid (included in creditors)	<u>5 637</u>	<u>5 637</u>
39.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]		
Opening balance	-	-
Current year payroll deductions and Council Contribution	-	1 019 095
Amount paid - current year	-	(1 019 095)
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

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

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

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

	2011 R Outstanding more than 90 days	2010 R Outstanding more than 90 days
Councillor I van Heerder	12 563	-
Total Councillor Arrear Consumer Accounts	12 563	-

39.7 Other non-compliance (MFMA 125(2)(e))

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

The municipality did not update their website with all relevant documentation as required by Section 75(2) of the MFMA. The matter has only been addressed after year-end.

40 **CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

Approved and contracted for:	-	4 332 235
This expenditure will be financed from		
Government Grants	-	4 332 235
	-	4 332 235

41 **FINANCIAL RISK MANAGEMENT**

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

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

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

The municipality did not hedge against any interest rate risks during the current year

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

1% (2010 - 0.5%) Increase in interest rates
0.5% (2010 - 0.5%) Decrease in interest rates

(d) Credit Risk

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

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

TSOLWANA LOCAL MUNICIPALITY

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

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

All rates and services are payable within 30 days from invoice date. Refer to note 13 and 14 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 13 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 13 and 14 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 %	2011 R	2010 %	2010 R
<u>Non-Exchange Receivables</u>				
Rates	1	-	1	3 574 237
<u>Exchange Receivables</u>				
Electricity	0	-	0	515 806
Refuse	0	-	1	2 535 141
Other	0	-	0	302 307
	1	-	1	3 353 254

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

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

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows		
Receivables from exchange transactions	6 121 153	6 140 981
Receivables from non-exchange transactions	442 510	383 629
Cash and Cash Equivalents	10 427 104	14 325 329
	16 990 767	20 849 939

(e) Liquidity Risk

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

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

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

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2011				
Long Term liabilities	0	-	-	-
Capital repayments			-	-
Interest			-	-
Trade and Other Payables	1 300 735	-	-	-
Unspent conditional government grants and receipts	4 230 714	-	-	-
Cash and Cash Equivalents	101 083			
	5 632 531.78	-	-	-

TSOLWANA LOCAL MUNICIPALITY

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

2010	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
Long Term liabilities	0	-	-	-
Capital repayments			-	-
Interest			-	-
Trade and Other Payables	1 301 402	-	-	-
Unspent conditional government grants and receipts	5 898 969	-	-	-
Cash and Cash Equivalents	58 996			
	<u>7 259 367.09</u>	<u>-</u>	<u>-</u>	<u>-</u>

42 FINANCIAL INSTRUMENTS

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

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

42.1 Financial Assets	Classification		
Investments			
Fixed Deposits	Financial instruments at amortised cost	-	-
Long-term Receivables			
Receivables			
Receivables from exchange transactions	Financial instruments at amortised cost	6 121 153	6 140 981
Receivables from non-exchange transactions	Financial instruments at amortised cost	442 510	383 629
Other Receivables			
Current Portion of Long-term Receivables			
Short-term Investment Deposits			
Call Deposits	Financial instruments at amortised cost	8 976 374	13 099 083
Bank Balances and Cash			
Bank Balances	Financial instruments at amortised cost	-	-
Cash Floats and Advances	Financial instruments at amortised cost	90	90
		<u>15 540 127</u>	<u>19 623 783</u>
SUMMARY OF FINANCIAL ASSETS			
Financial instruments at amortised cost		15 540 127	19 623 783
At amortised cost		<u>15 540 127</u>	<u>19 623 783</u>

FINANCIAL INSTRUMENTS (CONTINUE)

42.2 Financial Liability	Classification		
Long-term Liabilities			
Capitalised Lease Liability	Financial instruments at amortised cost	128 278	151 026
Payables from exchange transactions			
Trade creditors	Financial instruments at amortised cost	160 742	203 758
Retentions	Financial instruments at amortised cost	182 745	259 783
Other	Financial instruments at amortised cost	957 248	837 860
Other Payables			
Government Subsidies and Grants	Financial instruments at amortised cost	4 230 714	5 898 969
Current Portion of Long-term Liabilities			
Capitalised Lease Liability	Financial instruments at amortised cost	50 207	44 139
		<u>5 709 934</u>	<u>7 395 536</u>
SUMMARY OF FINANCIAL LIABILITY			
Financial instruments at amortised cost		<u>5 709 934</u>	<u>7 395 536</u>

43 EVENTS AFTER THE REPORTING DATE

The municipality has no events after reporting date during the financial year ended 2010/2011

44 IN-KIND DONATIONS AND ASSISTANCE

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

45 PRIVATE PUBLIC PARTNERSHIPS

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

46 CONTINGENT LIABILITY

None

47 RELATED PARTIES

TSOLWANA LOCAL MUNICIPALITY

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

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

47.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note to the Annual Financial Statements.

47.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 21 to the Annual Financial Statements

47.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

None

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

48 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

48.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

* Refuse tip-sites financed by way of a provisor

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

TSOLWANA LOCAL MUNICIPALITY

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

9 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost Disposal R	Closing balance R
Land and Buildings	73 068 778	-	-	73 068 778
Land	4 908 064	-	-	4 908 064
Buildings	68 160 714	-	-	68 160 714
Infrastructure	27 612 579	4 016 558	-	31 629 137
Main: Roads	14 435 701	1 907 431	-	16 343 132
Main: Electricity	13 176 878	2 109 128	-	15 286 005
Community Assets	3 278 098	4 878 258	-	8 156 356
Recreation Grounds	3 047 486	4 878 258	-	7 925 744
Cemetery	230 612	-	-	230 612
Lease Assets	244 204	-	-	244 204
Office Equipment	244 204	-	-	244 204
Heritage Assets	-	-	-	-
Buildings	-	-	-	-
Other Assets	1 813 897	203 847	-	2 017 743
Motor Vehicles	368 983	-	-	368 983
Plant & Equipment	51 866	-	-	51 866
Office Equipment	19 214	-	-	19 214
Furniture & Fittings	159 295	-	-	159 295
Loose Equipment	-	-	-	-
Computer Equipment	269 376	203 847	-	473 222
Specialised Vehicles	945 163	-	-	945 163
	-	-	-	-
	106 017 557	9 098 663	-	115 116 219

30 JUNE 2010

Reconciliation of Carrying Value

	Opening Balance R	Additions R	Cost Disposal R	Closing Balance R
Land and Buildings	73 019 780	48 998	-	73 068 778
Land	4 908 064	-	-	4 908 064
Buildings	68 111 716	48 998	-	68 160 714
Infrastructure	19 066 493	8 546 086	-	27 612 579
Main: Roads	11 083 389	3 352 312	-	14 435 701
Main: Electricity	7 983 105	5 193 773	-	13 176 878
Community Assets	1 281 431	1 996 668	-	3 278 098
Recreation Grounds	1 166 767	1 880 719	-	3 047 486
Cemetery	114 663	115 948	-	230 612
Lease Assets	174 361	69 844	-	244 204
Office Equipment	174 361	69 844	-	244 204
Heritage Assets	-	-	-	-
Buildings	-	-	-	-
Other Assets	3 338 246	440 474	(1 964 823)	1 813 897
Motor Vehicles	587 768	180 899	(399 684)	368 983
Plant & Equipment	108 048	-	(56 182)	51 866
Office Equipment	11 782	28 245	(20 813)	19 214
Furniture & Fittings	331 845	-	(172 550)	159 295
Loose Equipment	-	-	-	-
Computer Equipment	329 834	231 331	(291 789)	269 376
Specialised Vehicles	1 968 968	-	(1 023 805)	945 163
	-	-	-	-
	96 880 310	11 102 069	(1 964 823)	106 017 557

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

9 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land;
Property, Plant and Equipment financed by way of finance leases
Property, Plant and Equipment financed by way of provisions
Property, Plant and Equipment transferred as a result of the transfer of functions; and
Componentised infrastructure assets.

The municipality is currently in a process of identifying all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the

The municipality therefore did not utilise the transitional provision in the following areas

- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

**APPENDIX A - Unaudited
TSOLWANA LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30 JUNE 2010	Correction	Balance at 30 JUNE 2010 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
LEASE LIABILITY								
Fintech	001-844535-1-15	31/12/2014	60 021	6 737	66 758	-	8 131	58 627
Fintech	001-795340-1-15	31/01/2014	120 727	11 907	132 634	-	25 324	107 310
Fintech	001-795340-2-15	31/01/2014	14 418	1 163	15 580	-	3 032	12 548
Total Lease Liabilities			195 165	19 807	214 972	-	36 487	178 485
TOTAL EXTERNAL LOANS			195 165	19 807	214 972	-	36 487	178 485

APPENDIX B - Unaudited
TSOLWANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
MUNICIPAL VOTES CLASSIFICATION

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
2 200 885	(4 054 728)	(1 853 843)	Municipal Manager	1 342 688	(1 791 583)	(448 895)
2 343 478	(1 956 278)	387 200	General Council	2 284 500	(2 479 878)	(195 378)
6 188 692	(5 921 740)	266 952	Finance & Administration	9 374 436	(9 129 006)	245 430
4 213 642	(3 143 148)	1 070 494	Administration: Human Resources	4 057 178	(3 917 258)	139 920
26 999 184	(26 930 990)	68 194	Planning & Development	8 341 098	(8 992 663)	(651 565)
-	(350 531)	(350 531)	Libraries	399 207	(587 517)	(188 310)
234 337	(123 489)	110 848	Cemeteries	164 830	(161 650)	3 180
2 511 856	(337 570)	2 174 286	Sports & recreation	5 295 984	(191 367)	5 104 617
102 988	(1 828)	101 160	Public safety	260 822	(5 631)	255 191
2 297 295	(1 421 022)	876 274	Waste management	2 655 171	(2 198 672)	456 498
3 810 935	(37 368)	3 773 567	Road Transport	2 695 161	(1 121 181)	1 573 980
12 056 556	(4 767 227)	7 289 329	Electricity Distribution	8 962 810	(6 238 156)	2 724 654
-	-	-	Water	2 913 087	(5 660 787)	(2 747 700)
-	-	-	Sanitation	2 117 662	(2 514 236)	(396 573)
62 959 848	(49 045 917)	13 913 931	Sub Total	50 864 634	(44 989 585)	5 875 049
-	-	-		-	-	-
62 959 848	(49 045 917)	13 913 931	Total	50 864 634	(44 989 585)	5 875 049

APPENDIX C - Unaudited
TSOLWANA LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
4 544 363	(6 011 006)	(1 466 643)	Executive & Council	3 627 188	(4 271 462)	(644 274)
6 188 692	(5 921 740)	266 952	Budget & Treasury	9 374 436	(9 129 006)	245 430
4 213 642	(3 143 148)	1 070 494	Corporate Services	4 057 178	(3 917 258)	139 920
29 848 365	(27 744 407)	2 103 958	Community & Social services	14 461 941	(9 938 828)	4 523 113
18 164 786	(6 225 616)	11 939 170	Technical services	19 343 892	(17 733 032)	1 610 859
62 959 848	(49 045 917)	13 913 931	Total	50 864 634	(44 989 585)	5 875 049

APPENDIX D - Unaudited
TSOLWANA LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2010	Correction of error	Balance 1 JULY 2009	Grants Received	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 1 JULY 2010
	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS							
<u>National Government Grants</u>							
Equitable Share	-	-	-	18 161 888	18 161 888	-	-
Local Government Financial Management Grant	-	-	-	3 000 000	3 000 000	-	-
Integrated National Electrification Programme (Eskom) Grant	2 513 481	-	2 513 481	-	-	2 508 793	4 689
- DME Projects	2 513 481	-	2 513 481	-	-	2 508 793	4 689
Municipal Infrastructure Grant	1 207 831	-	1 207 831	8 007 000	399 940	7 034 473	1 780 419
Municipal Systems Improvement Grant	113 513	-	113 513	750 000	855 131	-	8 382
Total National Government Grants	3 834 826	-	3 834 826	29 918 888	22 416 959	9 543 266	1 793 490
<u>Provincial Government Grants</u>							
Project Library	-	-	-	399 207	399 207	-	-
Other Housing monies	1 001 653	-	1 001 653	-	-	-	1 001 653
1400 Thornhill Housing	21 263	-	21 263	1 157 550	1 115 550	-	63 264
671 Tarkastad Housing	116 813	-	116 813	133 004	120 371	-	129 446
1000 Tarkastad Housing	127 537	-	127 537	3 228 162	3 079 447	-	276 252
1000 Hofmeyer Housing	177 100	-	177 100	1 196 497	1 238 175	-	135 422
Total Provincial Government Grants	1 444 367	-	1 444 367	6 114 420	5 952 749	-	1 606 037
<u>District Municipality Grants</u>							
Rehabilitation of internal roads	109 274	-	109 274	298 582	-	298 582	109 274
Indigent funding	-	-	-	-	-	-	-
Tendergate Goat Project	-	-	-	242 264	233 852	-	8 411
Total District Municipality Grants	109 274	-	109 274	540 846	233 852	298 582	117 685
<u>Other Grant Providers</u>							
HIV assistance	-	-	-	-	-	-	-
Other	(0)	-	(0)	-	-	-	(0)
HR Related projects	173 590	-	173 590	-	-	-	173 590
Valuations	146 987	-	146 987	-	-	-	146 987
Mapping project	55 145	-	55 145	-	-	-	55 145
Schaapkraal project	112 697	-	112 697	-	-	-	112 697
LED project: Vlekpoort	22 083	-	22 083	-	-	-	22 083
LED project: Other	-	-	-	53 000	-	-	53 000
Voting station	-	-	-	150 000	-	-	150 000
EPWP grant	-	-	-	448 200	448 200	-	-
Total Other Grant Providers	510 502	-	510 502	651 200	448 200	-	713 502
Total	5 898 969	-	5 898 969	37 225 353	29 051 761	9 841 848	4 230 714