

Planning by	Reviewed	Performed by	Final review

**Client details**

Client name: Intsika Yethu Municipality  
Year end: 30 June 2011



**INTSIKA YETHU MUNICIPALITY**  
Annual Financial Statements  
for the year ended 30 June 2011

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## General Information

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Legal form of entity	Intsika Yethu Municipality	
Mayoral committee	Before 18 May 2011	After 18 May 2011
Executive Mayor	Mr SD Plata	K Vimbayo
Speaker	Mr M Sokujika	AZ Mbotholoshi
Chief Whip	Mr AZ Mbotholoshi	S Myataza
Councillors	K Vimbayo	Elected Executive Mayor
	WN Mdwayingana	WN Mdwayingana
	N Tshangana	N Tshangana - Nkota
	S Myataza	Elected Chief Whip
	N Boyana	KF Mdeleleni
	N Berana	J Cengani
	K Ntsaluba	K Ntsaluba
	HM Hewu	HM Hewu
	N Magaga	N Magaga
	N Tsomo	
	MM Mbebe	MM Mbebe
	ML Papiyana	ML Papiyana
	Z Qayiya	Z Qayiya
	D Kapsile	D Kapsile
	NE Stata	NE Stata
	P Nqandela	P Nqandela
	MN Mkhumbuzi	
	M Mahali	M Mahali
	NS Mafanya	NS Mafanya
	LN Ntshanka	-
	L Mbambiso	-
	TSN Bizana	-
	NT Tayitile	-
	FN Dangazele	FN Dangazele
	MN Rigala	
	M Yamile	M Yamile
	N Giyose	-
	Z Jabanga	-
	NF Kopman	-
	M Kolofana	-
	MG Kuse	-
	VG Matomela	VG Matomela
	B Mboniswa	B Mboniswa
	J Mdekazi	-
	NE Mdlungu	-
	N Mteli	-
	MG Ntshinka	-
	JN Peter	-
	M Shasha	M Shasha
	MT Shugu	-
	S Tame	S Tame
	PN Tukwayo	-
	V Tyhulu	-
	M Yotsi	-

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## General Information

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	-	N Ntloko
	-	ZS Matshikiza
	-	N Bani
	-	N Jada
	-	NH Mgodeli
	-	NA Somdyala
	-	M Zulu
	-	HM Nobongoza
	-	NP Gadeni
	-	MA Mbotshane
	-	MI Bititsha
	-	Z Mxi
	-	S Mkunyana
	-	M Gulubela
	-	AN Rotyi
	-	N Mto
	-	NV Hexana
	-	NG Futiso
<b>Grading of local authority</b>	Grade 2	
<b>Chief Finance Officer (CFO)</b>	Mr M Dyushu	
<b>Accounting Officer</b>		Mr Zamuxolo Shasha
<b>Business address</b>	Building No. 201 Main Street Cofimvaba 5380	
<b>Postal address</b>	Private Bag X 1251 Cofimvaba 5380	
<b>Bankers</b>	First National Bank	
<b>Auditors</b>	Auditor General of South Africa	

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

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

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### Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
IMFO	Institute of Municipal Finance Officers
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

# **Intsika Yethu Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Officer's Responsibilities and Approval**

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on the grant allocated through the Division of revenue act (Dora) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Intsika Yethu Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's Chief Financial Officer.

The Office of the Auditor General is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 9 to 39, which have been prepared on the going concern basis, were approved by the on 30 August 2011 and were signed on its behalf by:

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**Mr Zamuxolo Shasha**  
**Municipal Manager**

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2011.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mr Abor Yeboah (Chairperson)	6 out of 6
Mrs Tracey Putzier	5 out of 6
Ms Zoleka Madikazi	4 out of 6

### Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 38(10)(1) of the PFMA and Treasury Regulation 3.1. We further report that we have conducted our affairs in compliance with this internal audit charter.

### The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the municipality during the year under review.

### Evaluation of annual financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the auditors;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee**

# **Intsika Yethu Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Audit Committee Report**

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Date: \_\_\_\_\_





## Report of the Auditor General

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To the Provincial Legislature of Intsika Yethu Municipality

### **Report on the financial statements**

I have audited the accompanying annual financial statements of the Intsika Yethu Municipality which comprise the statement of financial position as at 30 June 2011, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 9 to 39.

### **Responsibility of the for the annual financial statements**

The accounting officer is responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the [Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)] [Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] [Auditor-General audit circular 1 of 2005] and the [Companies Act, 1973 (Act No. 61 of 1973)] [any applicable enabling legislation]. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

### **Responsibility of the Auditor-General**

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Basis of accounting**

The entity's policy is to prepare annual financial statements on [the basis of accounting determined by the National Treasury] [entity-specific basis of accounting] as set out in [accounting policy note ] [note to the financial statements].

## **Report of the Auditor General**

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In my opinion the annual financial statements present fairly, in all material respects, the financial position of Intsika Yethu Municipality as at 30 June 2011 and its financial performance and cash flows for the year then ended, in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the PFMA/MFMA (if the entity falls within the scope of the PFMA/MFMA) and Companies Act, 1973 (if the entity falls within the scope of the Companies Act) or section xx of the entity's enabling legislation (if the entity does not fall within the scope of the PFMA/MFMA)].

Without qualifying my audit opinion, I draw attention to the following matter(s):

**Auditor General of South Africa**

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Officers Report

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The accounting officer submits his report for the year ended 30 June 2011.

### 1. Incorporation

The municipality was incorporated on 05 December 2000 and obtained its certificate to commence business on the same day.

### 2. Review of activities

#### Main business and operations

The municipality is engaged in municipality and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

### 3. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated surplus of R 66 452 225 and that the municipality's total liabilities exceed its assets by R 36 074 102.

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.

### 4. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

### 5. Accounting policies

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 6.

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr Zamuxolo Shasha	South African

### 7. Corporate governance

#### General

The Municipality is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Municipality supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The Municipality discuss the responsibilities of management in this respect, at Councillors meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Officers Report

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### Audit and risk committee

In terms of section 166 of the Municipal Finance Management Act, each municipal entity must have an audit committee, subject to subsection (6).

An audit committee is an independent advisory body which must:

(a) advise the municipal council, the political office-bearers, the accounting officer and the management staff of the municipality, or the board of directors, the accounting officer and the management staff of the municipal entity.

(b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.

### Internal audit

The municipality has partially outsourced its internal audit function to PriceWaterhouseCoopers (PWC) to assist the Municipal in-house internal audit team. This is in compliance with the Municipal Finance Management Act, 2003.

### 8. Bankers

First National Bank

Account No. 62022331003

Branch Name: Cofimvaba

### 9. Auditors

Auditor General of South Africa will continue in office for the next financial period.

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Position

Figures in Rand	Notes	2011	2010
<b>Assets</b>			
Cash and cash equivalents	2	9 934 517	24 435 645
Current Assets			
Investments		2 405 299	2 399 860
Other receivables from non-exchange transactions	5	11 506 873	4 883 778
Trade receivables from exchange transactions	7	3 863 525	3 967 118
VAT receivable	6	1 390 023	2 211 667
		<b>29 100 237</b>	<b>37 898 068</b>
Non-Current Assets			
Property, plant and equipment	4	61 638 497	27 280 204
Intangible assets	35	58 037	-
		<b>61 696 534</b>	<b>27 280 204</b>
Non-Current Assets		61 696 534	27 280 204
Current Assets		29 100 237	37 898 068
<b>Total Assets</b>		<b>90 796 771</b>	<b>65 178 272</b>
<b>Liabilities</b>			
Current Liabilities			
Current portion of borrowings	36	349 092	121 795
Trade and other payables from exchange transactions	9	11 517 964	5 768 199
Current Provisions	8	3 134 068	2 197 285
		<b>15 001 124</b>	<b>8 087 282</b>
Non-Current Liabilities			
Non-Current Borrowing		9 343 428	3 524 429
Non-Current Liabilities		9 343 428	3 524 429
Current Liabilities		15 001 124	8 087 282
<b>Total Liabilities</b>		<b>24 344 552</b>	<b>11 611 711</b>
Assets		90 796 771	65 178 272
Liabilities		(24 344 552)	(11 611 711)
<b>Net Assets</b>		<b>66 452 219</b>	<b>53 566 561</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Performance

Figures in Rand	Notes	2011	2010
<b>Revenue</b>			
Property rates	11	3 402 286	1 617 990
Service charges	12	376 339	1 302 736
Rental of facilities and equipment		427 566	495 686
Fines		113 025	70 910
Licences and Permits		1 256 813	667 617
Government grants & subsidies	13	99 032 765	81 044 468
Receipts		9 720 473	-
Interest - outstanding receivables		522 832	90 896
Interest - external investments		692 938	1 056 695
Other income	14	635 602	550 186
<b>Total Revenue</b>		<b>116 180 639</b>	<b>86 897 184</b>
<b>Expenditure</b>			
Personnel	16	(42 290 417)	(30 682 830)
Remuneration of councillors	17	(10 877 367)	(10 269 293)
Finance costs	20	(4 197)	(185 388)
Bad debts	18	(7 062 239)	(2 819 204)
Repairs and maintenance		(8 422 481)	(2 950 807)
Bulk purchases	24	(352 225)	(503 651)
Contracted services	22	(218 255)	(113 229)
General Expenses	15	(32 962 557)	(23 420 352)
<b>Total Expenditure</b>		<b>(102 189 738)</b>	<b>(70 944 754)</b>
Gain on disposal of assets and liabilities		23 233	87 307
Revenue		116 180 639	86 897 184
Expenditure		(102 189 738)	(70 944 754)
Other		23 233	87 307
<b>Surplus for the year</b>		<b>14 014 134</b>	<b>16 039 737</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	37 527 060	37 527 060
Adjustments		
Prior year adjustments	(235)	(235)
<b>Balance at 01 July 2009 as restated</b>	<b>37 526 825</b>	<b>37 526 825</b>
Changes in net assets		
Surplus for the year	16 039 737	16 039 737
Total changes	53 566 559	53 566 559
<b>Balance at 01 July 2010</b>	<b>52 438 091</b>	<b>52 438 091</b>
Changes in net assets		
Surplus for the year	14 014 134	14 014 134
Total changes	14 014 134	14 014 134
<b>Balance at 30 June 2011</b>	<b>66 452 225</b>	<b>66 452 225</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Cash Flows

Figures in Rand	Notes	2011	2010
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash received from ratepayers, government and other		110 828 817	92 702 502
<b>Payments</b>			
Cash paid to suppliers and employees		(96 448 768)	(66 267 944)
Finance costs		(4 197)	(185 388)
Interest received		556 400	1 147 591
		(95 896 565)	(65 305 741)
Total receipts		110 828 817	92 702 502
Total payments		(95 896 565)	(65 305 741)
<b>Net cash flows from operating activities</b>	25	<b>14 932 252</b>	<b>27 396 761</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(34 358 293)	(27 280 204)
Proceeds from sale of property, plant and equipment	4	23 233	87 307
Purchase of intangible assets	35	(58 037)	-
Purchase of an asset		(43 846)	-
<b>Net cash flows from investing activities</b>		<b>(34 436 943)</b>	<b>(27 192 897)</b>
<b>Cash flows from financing activities</b>			
Repayment of current portion of borrowings		349 092	-
Repayment of Borrowings		5 735 611	(226 738)
<b>Net cash flows from financing activities</b>		<b>6 084 703</b>	<b>(226 738)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(14 501 125)</b>	<b>(22 874)</b>
Cash and cash equivalents at the beginning of the year		24 435 642	24 458 516
<b>Cash and cash equivalents at the end of the year</b>	2	<b>9 934 517</b>	<b>24 435 642</b>



# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. Comparative amounts have been restated retrospectively to the extent possible. They are presented in South African Rand.

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

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

#### 1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised 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. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

The useful lives of items of property, plant and equipment have been assessed as follows:

<b>Item</b>	<b>Average useful life</b>
Infrastructure	
• Roads and Paving	10 years
• Sewerage	15 years
Community	
• Buildings	30 years
• Community Halls	30 years
• Libraries	30 years
• Others	30 years
Others	
• Buildings	30 years
• Office Equipment	3 - 5 years
• Furniture and Fittings	10 years
• Bins and Containers	5 - 10 years
• Landfill sites	30 years
• Computer Equipment	4 years

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

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

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.3 Property, plant and equipment (continued)

#### Transitional provision

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

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

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

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

### 1.4 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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

Item	Useful life
Computer software	3 years

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.5 Leases

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

#### Operating leases - 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

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 the 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 costs 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.

### 1.6 Employee benefits

#### Short-term employee benefits

Remuneration to employees is recognised in the Statement of financial performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as a provision.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related services. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision. The municipality recognised the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

#### Defined contribution plans

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

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of financial performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.7 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The municipality does not recognise a contingent 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 employee who will be compensated for terminating their services
  - the expenditures that will be undertaken; and
  - when the plan will be implemented

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

### 1.8 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.

Services charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made on only 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. The estimates of consumption between meter readings are based on the previous three months average usage.

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.

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

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

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

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.8 Revenue from exchange transactions (continued)

#### Measurement

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

#### Rendering of services

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. 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 experiences of amounts collected.

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

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

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

#### Interest

Interest revenue is recognised on a time proportion basis.

### 1.9 Revenue from non-exchange transactions

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

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

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.9 Revenue from non-exchange transactions (continued)

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

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

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

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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

#### Recognition

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

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### 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.

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.10 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.11 Borrowing costs

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

### 1.12 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

### 1.13 Fruitless and wasteful expenditure

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

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

### 1.14 Irregular expenditure

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is expenditure that is contrar to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality 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.

### 1.15 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.



# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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Figures in Rand	2011	2010
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### 2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4 259	884
Bank balances	9 930 258	24 434 761
	<b>9 934 517</b>	<b>24 435 642</b>

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### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

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

##### **GRAP 23: Revenue from Non-exchange Transactions**

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

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

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

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

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

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The impact of the standard is not material.

#### 3.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2011 or later periods:

##### **GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

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

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

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;

## Notes to the Annual Financial Statements

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

- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.
- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

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

The municipality has early adopted the standard for the first time in the 2011 annual financial statements.

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

### GRAP 104: Financial Instruments

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

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

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

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

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

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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

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

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

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

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

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

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

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

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

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

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

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

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

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

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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

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

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

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

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

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

### 4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	537 739	-	537 739	537 739	-	537 739
Buildings	11 145 324	-	11 145 324	8 365 712	-	8 365 712
Motor vehicles	1 289 749	-	1 289 749	-	-	-
Office equipment	926 267	-	926 267	-	-	-
IT equipment	185 299	-	185 299	-	-	-
Infrastructure	39 423 816	-	39 423 816	13 396 091	-	13 396 091
Community	8 130 303	-	8 130 303	3 150 214	-	3 150 214
Other property, plant and equipment	-	-	-	1 830 448	-	1 830 448
<b>Total</b>	<b>61 638 497</b>	<b>-</b>	<b>61 638 497</b>	<b>27 280 204</b>	<b>-</b>	<b>27 280 204</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Total
Land	537 739	-	537 739
Buildings	8 365 712	2 779 612	11 145 324
Motor vehicles	-	1 289 749	1 289 749
Office equipment	-	926 267	926 267
IT equipment	-	185 299	185 299
Infrastructure	13 396 091	26 027 725	39 423 816
Community	3 150 214	4 980 089	8 130 303
Other property, plant and equipment	1 830 448	(1 830 448)	-
	<b>27 280 204</b>	<b>34 358 293</b>	<b>61 638 497</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand 2011 2010

### 4. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Total
Land	-	537 739	537 739
Buildings	-	8 365 712	8 365 712
Infrastructure	-	13 396 091	13 396 091
Community	-	3 150 214	3 150 214
Other property, plant and equipment	-	1 830 448	1 830 448
	<b>-</b>	<b>27 280 204</b>	<b>27 280 204</b>

#### Borrowing costs capitalised

Infrastructure	120 256	-
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The Municipality has taken advantage of the transitional provisions for Medium and Low Capacity Municipalities as set out in Directive 4 paragraph .73 to.83 issued by the Accounting Standards Board. Municipalities who take advantage of the transitional provisions are not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, Plant and Equipment.

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

Trade debtors	(4 442 794)	4 098 216
Employee costs in advance	-	785 562
Deposits	15 949 667	-
	<b>11 506 873</b>	<b>4 883 778</b>

### 6. Value Added Tax Receivable

Value Added Tax	1 390 023	2 211 667
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### 7. Trade and Other Receivables from Exchange Transactions

#### Gross balances

Rates	1 208 370	4 103 001
Water	1 464 932	1 464 932
Sewerage	280 004	280 004
Refuse	408 366	624 182
Housing rental	502 453	-
Other (specify)	(600)	1 462 472
	<b>3 863 525</b>	<b>7 934 591</b>

#### Less: Provision for debt impairment

Other (specify)	(3 406 059)	(3 967 473)
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#### Net balance

Rates	1 208 370	4 103 001
Water	1 464 932	1 464 932
Sewerage	280 004	280 004
Refuse	408 366	624 182
Housing rental	502 453	-
Other (specify)	(600)	(2 505 001)
	<b>3 863 525</b>	<b>3 967 118</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand 2011 2010

### 7. Trade and Other Receivables from Exchange Transactions (continued)

#### Rates

Current (0 -30 days)	(2 792 270)	125 485
31 - 60 days	288 131	117 616
61 - 90 days	120 500	108 034
91 - 120 days	3 338 073	3 426 412
	<b>954 434</b>	<b>3 777 547</b>

#### Refuse and Sewerage: Ageing

Current (0 -30 days)	186 216	336 313
31 - 60 days	31 806	3 044 592
61 - 90 days	29 487	776 140
91 - 120 days	572 835	-
	<b>820 344</b>	<b>4 157 045</b>

#### Rental: Ageing

Current (0 -30 days)	330 391	-
31 - 60 days	32 213	-
61 - 90 days	32 213	-
91 - 120 days	40 490	-
	<b>435 307</b>	<b>-</b>

#### Summary of debtors by customer classification

#### Less: Provision for debt impairment

Balance at beginning of the year	-	(1 148 269)
Contributions to provision	(3 406 059)	(2 819 204)
	<b>(3 406 059)</b>	<b>(3 967 473)</b>

#### Reconciliation of debt impairment provision

Contributions to provision	(3 406 059)	(3 967 473)
----------------------------	-------------	-------------

### 8. Provisions

#### Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Leave Provision	2 197 285	727 508	2 924 793
Landfill site	-	209 275	209 275
	<b>2 197 285</b>	<b>936 783</b>	<b>3 134 068</b>

#### Legal proceedings provisions

A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>9. Trade and other payables from exchange transactions</b>		
Trade payables	11 517 964	5 768 199
<b>10. Revenue</b>		
Property rates	3 402 286	1 617 990
Service charges	376 339	1 302 736
Rental of facilities & equipment	427 566	495 686
Income from agency services	113 025	70 910
Fines	1 256 813	667 617
Government grants & subsidies	99 032 765	81 044 468
Receipts - CHDM (WSP)	9 720 473	-
Interest earned - outstanding debtors	522 832	90 896
Interest earned - external investments	692 938	1 056 695
	<b>115 545 037</b>	<b>86 346 998</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	376 339	1 302 736
Rental of facilities & equipment	427 566	495 686
Income from agency services	113 025	70 910
Receipts	9 720 473	-
	<b>10 637 403</b>	<b>1 869 332</b>
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	3 402 286	1 617 990
Fines	1 256 813	667 617
<b>Transfer revenue</b>		
Grants and Subsidies Received	99 032 765	81 044 468
Interest earned - outstanding receivables	522 832	90 896
Interest earned - external investments	692 938	1 056 695
	<b>104 907 634</b>	<b>84 477 666</b>
<b>11. Property rates</b>		
<b>Rates received</b>		
Rates and taxes	3 402 286	1 617 990
<b>12. Service charges</b>		
Refuse removal	376 339	459 713
Sale of water	-	843 023
	<b>376 339</b>	<b>1 302 736</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>13. Government grants and subsidies</b>		
Equitable share	69 276 411	56 857 916
MIG	17 564 000	17 032 518
MSIG	750 000	500 000
FMG	1 250 000	1 000 000
LG-SETA	154 077	-
CHDM Grant	5 705 049	4 828 898
Mass-FP LED	2 703 228	736 408
Local Government (IEC)	1 630 000	-
EPWP Grant	-	161 100
	<b>99 032 765</b>	<b>81 116 840</b>
Equitable share	69 276 411	56 857 916
MIG Grant	17 564 000	17 032 518
MSIG Grant	750 000	500 000
FMG	1 250 000	1 000 000
Local Government Grants (IEC Projects)	1 630 000	-
Chris Hani DM Grants	5 705 049	4 828 898
LED Grants	2 703 228	736 408
LG Seta	154 077	-
	<b>99 032 765</b>	<b>81 116 840</b>
<b>Equitable Share</b>		
Current-year receipts	69 276 411	56 857 916
No conditions as per DORA	(69 276 411)	(56 857 916)
	-	-
<b>MIG Grant</b>		
Current-year receipts	17 564 000	17 032 518
Conditions met - transferred to revenue	(17 564 000)	(17 032 518)
	-	-
<b>MSIG Grant</b>		
Current-year receipts	750 000	500 000
Conditions met - transferred to revenue	(750 000)	(500 000)
	-	-
<b>FMG Grant</b>		
Current-year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(1 250 000)	(1 000 000)
	-	-
<b>Local Government Grant (St Marks and IEC Grant)</b>		
Current-year receipts	1 630 000	-
Conditions met - transferred to revenue	(1 630 000)	-
	-	-
<b>Chris Hani District Municipality Grant</b>		



# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>13. Government grants and subsidies (continued)</b>		
Current-year receipts	5 705 049	4 828 898
Conditions met - transferred to revenue	(5 705 049)	(4 828 898)
	-	-
<b>Local Economic Development (LED) Grant</b>		
Current-year receipts	2 703 228	736 408
Conditions met - transferred to revenue	(2 703 228)	(736 408)
	-	-
<b>EPWP Grant</b>		
Current-year receipts	-	161 100
Conditions met - transferred to revenue	-	(161 100)
	-	-
<b>Changes in level of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>14. Other income</b>		
Cemetery	6 842	5 000
Agency fees	-	270 368
Service charges	14 255	7 806
Pound Fees	106 090	100 500
Pound Auction Charges	349 791	54 556
Toilet fees	50 666	22 451
Sports field	8 904	581
Tender receipts	74 549	88 924
Business Licences	4 120	-
Other income - Political Party	12 203	-
Equipment here	3 435	-
Chair hire	4 747	-
	<b>635 602</b>	<b>550 186</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>15. General expenses</b>		
Advertising	224 722	165 362
Auditors remuneration	1 371 936	1 276 749
Bank charges	208 149	184 242
Cleaning	156 546	14 158
Consulting and professional fees	3 622 137	615 397
Legal expenses	1 106 239	1 242 276
Conferences and delegations	648 578	149 179
Entertainment	8 708	134 950
Insurance	723 929	253 555
Lease rentals on operating lease	121 975	325 032
Levies	617 798	23 193
Subscription and publication	53 618	1 060
Fuel and oil	1 244 848	1 153 367
Postage and courier	3 537	5 114
Printing and stationery	435 115	364 662
Telephone and fax	1 404 098	1 012 444
Training	1 053 054	1 158 016
Travel - local	27 830	55 601
Uniforms and overalls	247 830	124 445
Membership fees	39 637	154
Other rentals	323 083	286 810
Stocks and material	35 692	68 324
Other expenses	19 283 498	14 806 262
	<b>32 962 557</b>	<b>23 420 352</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>16. Employee related costs</b>		
Employee related costs - Salaries and Wages	24 777 110	20 610 713
Performance and other Bonuses	1 433 672	1 165 939
Employee related costs - Contributions for UIF, Pensions and Medical aids	2 399 219	1 487 522
UIF	22 487	-
SDL	285 591	218 449
Other payroll levies	69 650	8 051
Leave pay provision charge	909 199	119 155
Post-employment benefits - Pension - Defined contribution plan	3 526 128	2 875 009
Travel, motor car, accommodation, subsistence and other allowances	535 910	-
Overtime payments	967 863	384 141
Acting allowances	2 618 599	367 440
Car allowance	1 341 254	1 601 572
Housing benefits and allowances	24 468	326 756
Night shift allowance	322 097	1 122 481
Cell phone allowance	310 390	395 602
Payments for Casual Workers	2 746 780	-
	<b>42 290 417</b>	<b>30 682 830</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	596 202	497 083
Performance Bonuses	68 687	43 512
Travel,motor car, accommodation, subsistence and other allowances	192 880	244 881
	<b>857 769</b>	<b>785 476</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	475 457	365 841
Performance Bonuses	43 283	-
Travel,motor car, accommodation, subsistence and other allowances	173 386	234 523
	<b>692 126</b>	<b>600 364</b>
<b>Remuneration of Community Services Director</b>		
Annual Remuneration	536 714	495 646
Performance Bonus	43 283	27 979
Travel,motor car, accommodation, subsistence and other allowances	139 604	127 017
	<b>719 601</b>	<b>650 642</b>
<b>Remuneration of Corporate Service Director</b>		
Annual Remuneration	536 714	495 647
Performance Bonuses	43 283	39 170
Travel,motor car, accommodation, subsistence and other allowances	146 868	135 929
	<b>726 865</b>	<b>670 746</b>
<b>Remuneration of Technical Service Director</b>		
Annual Remuneration	536 714	495 647
Performance Bonuses	43 283	27 979
Travel,motor car, accommodation, subsistence and other allowances	180 475	160 081
	<b>760 472</b>	<b>683 707</b>
<b>Remuneration for Local Economic Development Director</b>		

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>16. Employee related costs (continued)</b>		
Annual Remuneration	503 169	386 459
Performance Bonuses	45 541	-
Travel, motor car, accommodation, subsistence and other allowances	195 661	148 371
	<b>744 371</b>	<b>534 830</b>
<b>17. Remuneration of councillors</b>		
Executive Council	8 561 691	7 819 192
Councillors	2 315 676	2 438 049
	<b>10 877 367</b>	<b>10 257 241</b>
<b>18. Debt impairment</b>		
Debt impairment	-	1 148 260
Debts impaired	3 406 059	2 819 204
	<b>3 406 059</b>	<b>3 967 464</b>
<b>19. Investment revenue</b>		
<b>20. Finance costs</b>		
Current borrowings	4 197	185 388
<b>21. Auditors' remuneration</b>		
Fees	1 371 936	1 276 749
<b>22. Contracted services</b>		
Red Guard Security	218 255	113 229
<b>23. Grants and subsidies paid</b>		
<b>24. Bulk purchases</b>		
Electricity	352 225	420 077
Water	-	83 574
	<b>352 225</b>	<b>503 651</b>

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>25. Cash generated from operations</b>		
Surplus	13 966 795	16 039 738
<b>Adjustments for:</b>		
Loss on sale of assets and liabilities	(23 233)	(87 307)
Debt impairment	7 062 239	-
Movements in provisions	936 783	1 402 264
Other non-cash items	-	105 895
<b>Changes in working capital:</b>		
Other receivables from non-exchange transactions	(6 623 095)	402 315
Consumer debtors	(6 958 646)	(1 550 060)
Trade and other payables from exchange transactions	5 749 765	2 968 325
VAT	821 644	8 097 317
Unspent conditional grants and receipts	-	18 274
	<b>14 932 252</b>	<b>27 396 761</b>

## 26. Related parties

### Relationships

Councilor - Mr. WN Mdwayingana

Previous Mayor - Mr. S. Plata

Councilor - Mr M. Yamile

Mr Z. Shasha - Municipal Manager

Ms K. Vimbayo - Executive Mayor

Mr. T. Totongwana - Assistant Manager Supply Chain Manager

Ms Bekebu - Office Manager for the Office of the Municipal Manager

Mrs N Nkuhlu - Corporate Service Manager

Ms NF Kopman - Councilor

The Municipality bought 10 sheeps to the amount of R10,000

The Municipality sold the car that was used by the previous Mayor to Mr S. Plata at a price of R75,000 (which was less than a market price of R120,000) after the Mayor's term in office had expired. Council resolution was obtained and the council approved the sale.

The Municipality bought 10 sheeps to the amount of R10,000

The following personnel share the same surname with the Municipal Manager:

1. Mr M. Shasha - Councilor

2. Mrs Shasha - Store controller

Ms M Vimbayo - sister to the Mayor works as a security officer within the Municipality

Mrs S. Totongwana, Assistant Supply Chain Manager's wife works as a SCM officer within the Municipality

Ms S. Bekebu daughter to Ms Bekebu works as an Intern for the Finance department at the Municipality

Mr S Mahlali a son to Mrs Nkuhlu works within the Municipality

Ms Vuyokazi Kopman works within the Municipality

### Compensation to accounting officer and other key management

Short-term employee benefits	4 501 205	-
Post-employment benefits - Pension - Defined contribution plan	2 505 117	367 440
	<b>7 006 322</b>	<b>367 440</b>

## 27. Irregular expenditure

Add: Irregular Expenditure - current year	1 031 617	15 600 000
Less: Amounts condoned	(1 031 617)	(15 600 000)
	-	-

### Details of irregular expenditure condoned

	Condoned by (condoning authority)	
Ntlakotlaza Travel Agency	Council Resolution dated 30 June 2011	1 031 617

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand 2011 2010

### 28. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

### 29. Commitments

#### Authorised capital expenditure

##### Approved and contracted for

• Infrastructure	11 521 067	32 951 205
• Community	-	4 216 533
• Buildings	-	4 237 074
• Other	-	3 201 360
	<b>11 521 067</b>	<b>44 606 172</b>

##### Approved but not yet contracted for

• Infrastructure	7 819 700	1 444 181
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#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	178 828	162 571
- in second to fifth year inclusive	256 133	232 848
	<b>434 961</b>	<b>395 419</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	148 830	135 300
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Operating Leases consists of the following:

Certain of the municipality's land and building are held to generate rental income. Lease agreements are non-cancellable and have terms of 5 years. There are no contingent rents receivable.

### 30. Contingencies

#### Contingent Liability

Claim for default	2 121 174	2 121 174
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The Municipality is being sued by the Municipal Councilors Pension Fund for the default of contribution payment. Should Council be unsuccessful in defending the claim, there is a possibility that the claim will be settled from Equitable share.

# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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Figures in Rand 2011 2010

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### 31. Risk management

#### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

#### Liquidity risk

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

The information below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

Later than one month and not later than one year (2011: R349,092) and Later than one year and not later than twenty years (2011: R9 343 428)

Later than one month and not later than one year (2010: R121,795) and Later than one year and not later than twenty years (2010: R3,524,429)

#### Interest rate risk

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

The municipality's interest rate risk arises from long term borrowings. Borrowings issued at fixed rates exposes the municipality to fair value interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

Financial instrument	2011	2010
Call deposits	2 405 299	2 399 860
Development Bank of South Africa - Interest on a Loan	349 092	121 795

### 32. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated surplus of R 14 014 134 and that the municipality's total liabilities exceed its assets by R 66 452 219.

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.

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

#### Contributions to organised local government

Current year subscription / fee	617 798	212 435
Amount paid - current year	(617 798)	(130 834)
	-	<b>81 601</b>

#### Audit fees

Amount paid - current year	1 371 936	1 276 749
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# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>33. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>PAYE and UIF</b>		
Opening balance	-	276 681
Current year subscription / fee	2 222 905	4 273 147
Amount paid - current year	-	(4 332 816)
	<b>2 222 905</b>	<b>217 012</b>

The balance represents PAYE and UIF deducted from the June 2011 and June 2010 payroll. These amounts were paid during July 2011 and July 2010 respectively.

### Pension and Medical Aid Deductions

Current year subscription / fee	-	(8 838 036)
Amount paid - current year	-	8 838 036
	-	-

### VAT

VAT receivable	1 390 023	2 211 667
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VAT output payables and VAT input receivables are shown in note .

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

### 34. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	349 092	-
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 35. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	58 037	-	58 037	-	-	-

### 36. Current portion of borrowings

#### At fair value through surplus or deficit

DBSA Loan - Current portion transferred to current liability Terms and conditions	349 092	121 795
	349 092	121 795
	-	-

#### Current liabilities

Fair value through surplus or deficit	349 092	121 795
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# Intsika Yethu Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>36. Current portion of borrowings (continued)</b>		
	-	-
	349 092	121 795
<b>37. Other revenue</b>		
Other income	635 602	550 186
<b>38. Reconciliation between budget and statement of financial performance</b>		
Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:		
<b>Adjusted for:</b>		
Gain on the sale of assets	23 233	87 307
Deficit / surplus of actual revenue and expenditure in comparison to budget	(20 367 392)	(11 327 778)
Other (specify)	34 358 293	27 280 205
<b>Net surplus per approved budget</b>	<b>14 014 134</b>	<b>16 039 734</b>

# **Intsika Yethu Municipality**

Annual Financial Statements for the year ended 30 June 2011

**Intsika Yethu Municipality**

**Appendix A**

June 2011

**Schedule of external loans as at 30 June 2010**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2010</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2011</b>	<b>Carrying Value of Property, Plant &amp; Equip</b>	<b>Other Costs in accordance with the MFMA</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Loan Stock</b>							
<b>Structured loans</b>							
<b>Funding facility</b>							
<b>Development Bank of South Africa</b>							
DBSA Loan	EC102527 30 Sep 2028	3 646 224	6 046 296	-	9 692 520	-	-
		<b>3 646 224</b>	<b>6 046 296</b>	<b>-</b>	<b>9 692 520</b>	<b>-</b>	<b>-</b>
<b>Bonds</b>							
<b>Other loans</b>							
<b>Lease liability</b>							
<b>Annuity loans</b>							
<b>Government loans</b>							
<b>Total external loans</b>							
Development Bank of South Africa		3 646 224	6 046 296	-	9 692 520	-	-
		<b>3 646 224</b>	<b>6 046 296</b>	<b>-</b>	<b>9 692 520</b>	<b>-</b>	<b>-</b>

**Intsika Yethu Municipality**  
**Intsika Yethu Municipality**  
**Appendix B**

June 2011

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

<b>Cost/Revaluation</b>						<b>Accumulated depreciation</b>							
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  
 Infrastructure  
 Community Assets





**Segmental 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 deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			<b>Municipality</b>			
-	-	-	- Executive & Council/Mayor and Council	-	-	-
-	-	-	- Finance & Admin/Finance	-	-	-
-	-	-	- Planning and Development/Economic Development/Plan	-	-	-
-	-	-	- Health/Clinics	-	-	-
-	-	-	- Comm. & Social/Libraries and archives	-	-	-
-	-	-	- Housing	-	-	-
-	-	-	- Public Safety/Police	-	-	-
-	-	-	- Sport and Recreation	-	-	-
-	-	-	- Environmental Protection/Pollution Control	-	-	-
-	-	-	- Waste Water Management/Sewerage	-	-	-
-	-	-	- Road Transport/Roads	-	-	-
-	-	-	- Water/Water Distribution	-	-	-
-	-	-	- Electricity /Electricity Distribution	-	-	-
-	-	-	- Other/Air Transport	-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
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**Intsika Yethu Municipality**

**Appendix D**

June 2011

**Segmental Statement of Financial Performance for the year ended**  
**Prior Year** **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand	Rand	Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	<b>Total</b>	-	-	-

**Intsika Yethu 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
<b>Revenue</b>					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	3 402 286	-	3 402 286	-	
Service charges	376 339	-	376 339	-	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	427 566	-	427 566	-	
Interest received (trading)	-	-	-	-	
Dividends received	-	-	-	-	
Income from agency services	113 025	-	113 025	-	
Public contributions and donations	-	-	-	-	
Fines	1 256 813	-	1 256 813	-	
Licences and permits	-	-	-	-	
Government grants & subsidies	99 032 765	-	99 032 765	-	
Municipal Revenue UD1	9 720 473	-	9 720 473	-	
Municipal Revenue UD2	-	-	-	-	
Revenue 1	522 832	-	522 832	-	
Revenue 2	692 938	-	692 938	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	635 601	-	635 601	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	-	-	-	-	

# Intsika Yethu 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	-	-	-	-
	<b>116 180 638</b>	<b>-</b>	<b>116 180 638</b>	<b>-</b>
<b>Expenses</b>				
Personnel	(42 290 416)	-	(42 290 416)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(10 877 366)	-	(10 877 366)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	-	-	-	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(4 197)	-	(4 197)	-
Debt impairment	(7 062 239)	-	(7 062 239)	-
Collection costs	-	-	-	-
Repairs and maintenance - Manufacturing expenses	-	-	-	-
Repairs and maintenance - General	(8 422 481)	-	(8 422 481)	-
Repairs and maintenance - General	-	-	-	-
Bulk purchases	(352 225)	-	(352 225)	-
Contracted Services	(218 255)	-	(218 255)	-
Grants and subsidies paid	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(32 962 560)	-	(32 962 560)	-
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)	-	-	-	-
	<b>(102 189 739)</b>	<b>-</b>	<b>(102 189 739)</b>	<b>-</b>
<b>Other revenue and costs</b>				
Gain or loss on disposal of assets and liabilities	23 233	-	23 233	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-

**Intsika Yethu Municipality**

**Appendix E(1)**

June 2011

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

	<b>Current year 2010 Act. Bal.</b>	<b>Current year 2010 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	23 233	-	23 233	-
Net surplus/ (deficit) for the year	14 014 132	-	14 014 132	-



Intsika Yethu 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
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

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

Intsika Yethu 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
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
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Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Intsika Yethu 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
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	No	
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Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.