

# Maletswai

## MUNICIPALITY



[These financial statements have not been audited]

## FINANCIAL STATEMENTS

30 JUNE 2011

# MALETSWAI LOCAL MUNICIPALITY

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# MALETSWAI LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### GENERAL INFORMATION

#### **NATURE OF BUSINESS**

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

#### **COUNTRY OF ORIGIN AND LEGAL FORM**

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

#### **JURISDICTION**

The Maletswai Municipality includes the following areas:

*Aliwal North  
Jamestown*

#### **MUNICIPAL MANAGER**

*Mr. M.P Nonjola*

#### **CHIEF FINANCIAL OFFICER**

*Mr. B.J. Rautenbach*

#### **REGISTERED OFFICE**

*Corner Somerset & Barkley Street, Aliwal North, 9750*

#### **AUDITORS**

*Office of the Auditor General (EC)*

#### **PRINCIPLE BANKERS**

*ABSA Bank, Aliwal North*

#### **RELEVANT LEGISLATION**

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

#### **ATTORNEYS**

*Douglas and Botha  
Horn & Kumm*

# MALETSWAI LOCAL MUNICIPALITY

## MEMBERS OF THE MALETSWAI LOCAL MUNICIPALITY

### MEMBERS OF COUNCIL

Mayor/PR Councillor	Cllr ZE Pungwani
PR Councillor	Cllr N Mathetha
PR Councillor	Cllr ES Mbana
PR Councillor	Cllr GD Fourie
PR Councillor	Cllr H du Preez
PR Councillor	Cllr M Jan
Ward 1 Councillor	Cllr KS Lange
Ward 2 Councillor	Cllr M. Mokhoabane
Ward 3 Councillor	Cllr Z Betana
Ward 4 Councillor	Cllr P Williams
Ward 5 Councillor	Cllr M Mdumisa
Ward 6 Councillor	Cllr M Tsolanku

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 64 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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*Mr. M.P Nonjola*  
**Municipal Manager**

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**Date**

**INSERT ACCOUNTING POLICY**

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>147 485 954</b>	<b>132 042 949</b>
Accumulated Surplus		147 485 954	132 042 949
<b>Non-Current Liabilities</b>		<b>13 829 442</b>	<b>9 464 637</b>
Long-term Liabilities	1	4 022 336	3 523 986
Employee benefits	2	9 807 106	5 940 651
Non-Current Provisions	3	-	-
<b>Current Liabilities</b>		<b>24 694 083</b>	<b>26 779 250</b>
Consumer Deposits	4	1 670 152	1 625 342
Current Employee benefits	5	5 645 353	5 974 741
Provisions	6	-	-
Payables from exchange transactions	7	5 662 140	11 352 797
Unspent Conditional Government Grants and Receipts	8	8 617 302	3 704 335
Taxes	9.1	1 208 381	153 051
Cash and Cash Equivalents	19	731 684	3 029 190
Current Portion of Long-term Liabilities	1	1 159 071	939 794
<b>Total Net Assets and Liabilities</b>		<b>186 009 478</b>	<b>168 286 837</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>171 491 588</b>	<b>149 748 948</b>
Property, Plant and Equipment	10	143 215 786	121 880 921
Investment Property	11	25 038 001	25 038 001
Intangible Assets	12	1 366 469	1 131 402
Non-Current Investments	13	627 431	580 999
Biological Assets	14	1 243 900	1 117 625
<b>Current Assets</b>		<b>14 517 891</b>	<b>18 537 889</b>
Inventory	15	410 459	262 563
Receivables from exchange transactions	16	9 228 561	12 844 237
Receivables from non-exchange transactions	17	2 162 867	2 706 416
Unpaid Conditional Government Grants and Receipts	8	1 277 086	1 875 830
Operating Lease Asset	18	32 049	33 719
Taxes	9.2	776 686	591 438
Cash and Cash Equivalents	19	630 182	223 685
<b>Total Assets</b>		<b>186 009 478</b>	<b>168 286 837</b>

MALETSWAI LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 R	2010 Adjustments * R	2010 (Previously reported) R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>53 480 728</b>	<b>49 048 863</b>	<b>(164 684)</b>	<b>49 213 547</b>
<b>Taxation Revenue</b>		<b>8 455 858</b>	<b>7 425 324</b>	<b>-</b>	<b>7 425 324</b>
Property taxes	20	8 455 858	7 425 324	-	7 425 324
<b>Transfer Revenue</b>		<b>44 380 200</b>	<b>38 132 027</b>	<b>75 000</b>	<b>38 057 027</b>
Government Grants and Subsidies - Capital	21	22 403 129	17 743 666	-	17 743 666
Government Grants and Subsidies - Operating	21	21 977 071	20 388 361	75 000	20 313 361
<b>Other Revenue</b>		<b>644 671</b>	<b>3 491 513</b>	<b>(239 684)</b>	<b>3 731 197</b>
Actuarial Gains	2	193 383	174 804	(239 684)	414 488
Third Party Payments		178 175	3 092 753	-	3 092 753
Fines		273 112	223 957	-	223 957
<b>Revenue from Exchange Transactions</b>		<b>60 876 026</b>	<b>48 091 619</b>	<b>7 482 360</b>	<b>40 609 259</b>
Service Charges	22	44 403 450	29 316 460	(1 412 735)	30 729 194
Water service authority contribution	23	8 550 292	10 959 497	8 877 417	2 082 080
Rental of Facilities and Equipment		1 583 091	1 517 405	7 436	1 509 970
Interest Earned - external investments		327 021	494 394	-	494 394
Interest Earned - outstanding debtors		793 945	667 981	-	667 981
Licences and Permits		2 159 272	1 725 297	-	1 725 297
Agency Services		1 305 666	1 507 331	-	1 507 331
Other Income	24	1 575 474	1 481 485	10 242	1 471 243
Gain on disposal of Property, Plant & Equipment		51 539	207 194	-	207 194
Fair Value Adjustments	25	126 275	214 575	-	214 575
<b>Total Revenue</b>		<b>114 356 754</b>	<b>97 140 482</b>	<b>7 317 676</b>	<b>89 401 038</b>
<b>EXPENDITURE</b>					
Employee related costs	26	38 701 890	35 852 766	3 607 071	32 245 695
Remuneration of Councillors	27	2 454 238	2 516 658	-	2 516 658
Debt Impairment	28	4 014 343	1 919 978	6 710	1 913 268
Repairs and Maintenance		3 516 401	3 940 682	885 062	3 055 620
Actuarial losses	2	3 559 374	-	-	-
Finance Charges	29	1 213 181	1 294 044	27	1 294 016
Bulk Purchases	30	27 394 842	21 857 343	642 543	21 214 800
Grants and Subsidies Paid	31	-	378 910	-	378 910
Other Operating Grant Expenditure		3 774 002	4 488 547	(1 347 380)	5 835 927
General Expenses	32	14 285 478	15 255 930	3 844 884	11 411 045
<b>Total Expenditure</b>		<b>98 913 750</b>	<b>87 504 858</b>	<b>7 638 918</b>	<b>79 865 941</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>15 443 004</b>	<b>9 635 624</b>	<b>(321 242)</b>	<b>9 956 867</b>

\* - Adjustments due to changes in accounting policy and correction of errors - Refer to notes 33 and 34

**MALETSWAI LOCAL MUNICIPALITY**

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

	<b>Accumulated Surplus</b>	<b>Total</b>
	<b>R</b>	<b>R</b>
<b>Balance at 1 JULY 2009 - Previously stated</b>	<b>117 391 612</b>	<b>117 391 612</b>
Correction of error - See Note 33.12	5 015 713	5 015 713
<b>Restated Balance at 1 JULY 2009</b>	<b>122 407 325</b>	<b>122 407 325</b>
Net Surplus for the year	9 635 624	9 635 624
<b>Balance at 30 JUNE 2010</b>	<b>132 042 949</b>	<b>132 042 949</b>
Net Surplus for the year	15 443 004	15 443 004
<b>Balance at 30 JUNE 2011</b>	<b>147 485 954</b>	<b>147 485 954</b>



**MALETSWAI LOCAL MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	30 JUNE 2011 R	30 JUNE 2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		69 501 026	55 540 158
Government		49 891 909	30 655 113
Interest		1 120 966	1 162 376
<b>Payments</b>			
Suppliers and employees		(95 794 329)	(74 280 704)
Finance charges	29	(1 213 181)	(1 294 044)
Transfers and Grants		-	(378 910)
<b>Cash generated by operations</b>	<b>35</b>	<b>23 506 390</b>	<b>11 403 989</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	10	(21 345 848)	(16 829 598)
Proceeds on Disposal of Fixed Assets		62 522	207 198
Increase in Intangible Assets		(235 066)	(14 386)
Increase in Non-current Investments	13	(46 432)	(62 905)
<b>Net Cash from Investing Activities</b>		<b>(21 564 825)</b>	<b>(16 699 691)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans raised/(repaid)		717 629	(726 693)
Increase in Consumer Deposits		44 809	236 705
<b>Net Cash from Financing Activities</b>		<b>762 438</b>	<b>(489 987)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2 704 004</b>	<b>(5 785 690)</b>
Cash and Cash Equivalents at the beginning of the year		(2 805 506)	2 980 184
Cash and Cash Equivalents at the end of the year	36	(101 502)	(2 805 506)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>2 704 004</b>	<b>(5 785 690)</b>

**MALETSWAI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

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

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

The standards are summarised as follows:

<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associates
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 101</b>	Agriculture
<b>GRAP 102</b>	Intangible assets
<b>IPSAS 20</b>	Related Party Disclosure
<b>IFRS 3 (AC140)</b>	Business Combinations
<b>IFRS 4 (AC141)</b>	Insurance Contracts
<b>IFRS 6 (AC143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IAS 12 (AC102)</b>	Income Taxes
<b>SIC – 21 (AC421)</b>	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
<b>SIC – 25 (AC425)</b>	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
<b>SIC – 29 (AC429)</b>	Service Concessions Arrangements – Disclosures
<b>IFRIC 2 (AC435)</b>	Members' Shares in Co-operative Entities and Similar Instruments
<b>IFRIC 4 (AC437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC446)</b>	Customer Loyalty Programmes
<b>IFRIC 14 (AC447) IAS19</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRIC 15 (AC448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC 16 (AC449)</b>	Hedges in a Net Investment in a Foreign Operation

**MALETSWAI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

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

## **MALETSWAI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 – Inventories  
GRAP 16 – Investment Property  
GRAP 17 – Property, Plant and Equipment  
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets  
GRAP 100 – Non-current Assets Held for Sale and Discontinued Operations  
GRAP 102 – Intangible Assets

#### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

#### **1.3. GOING CONCERN ASSUMPTION**

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

#### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### **1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

#### **1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

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

**MALETSWAI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6 (Revised)</b>	<b>Consolidated and Separate Financial Statements</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 7 (Revised)</b>	<b>Investments in Associate</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 8 (Revised)</b>	<b>Interest in Joint Ventures</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 18</b>	<b>Segment Reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>Unknown</b>
<b>GRAP 24</b>	<b>Presentation of Budget Information in Financial Statements</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>1 April 2012</b>
<b>GRAP 25</b>	<b>Employee Benefits</b> Information to a large extent is already included in the notes to the annual financial statements, due to the fact that the principles included in GRAP 25 was used to formulate an accounting policy.	<b>Unknown</b>
<b>GRAP 103</b>	<b>Heritage Assets</b> No adjustments necessary as the Municipality has no heritage assets.	<b>1 April 2012</b>
<b>GRAP 104</b>	<b>Financial Instruments</b> Information to a large extent is already included in the notes to the annual financial statements, due to the fact that the principles included in GRAP 104 was used to formulate an accounting policy...	<b>Unknown</b>
<b>GRAP 105</b>	<b>Transfer of Functions Between Entities Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 106</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 107</b>	<b>Mergers</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.7. LEASES**

### **1.7.1 Municipality as Lessee**

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

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

### **1.7.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

## **1.8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

## **MALETSWAI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.9. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

#### **1.10. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource 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 discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

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;

## **MALETSWAI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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- the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (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.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

#### **1.11. EMPLOYEE BENEFITS**

##### **(a) *Post Retirement Medical obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

##### **(b) *Long Service awards***

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) *Accrued Leave Pay***

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

**(d) *Pension and retirement fund obligations***

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity 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. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

**1.12. BORROWING COSTS**

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

**1.13. PROPERTY, PLANT AND EQUIPMENT**

**1.13.1 *Initial Recognition***

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost.

## **MALETSWAI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

#### **1.13.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### **1.13.3 Depreciation and Impairment**

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of property, plant and equipment. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for depreciation can be measured.

#### **1.13.4 De-recognition**

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

### **1.14. INTANGIBLE ASSETS**

#### **1.14.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

## **MALETSWAI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

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

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

Intangible assets are initially recognised at cost.

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

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

#### **1.14.2 Subsequent Measurement – Cost Model**

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

#### **1.14.3 Amortisation and Impairment**

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for amortisation can be measured.

#### **1.14.4 De-recognition**

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**1.15. INVESTMENT PROPERTY**

**1.15.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of self-constructed investment property is the cost at date of completion.

**1.15.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.15.3 Depreciation and Impairment**

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of intangible assets. In terms of this directive the Auditor General in the Eastern Cape determined that no provisional amounts for amortisation can be measured.

**1.15.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**MALETSWAI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**1.16. NON-CURRENT ASSETS HELD FOR SALE**

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of non-current assets held for sale.

**1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS**

The municipality opted to take advantage of the transitional provisions in Directive 4 for the measurement of non-current assets held for sale.

**1.18. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

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

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.19 BIOLOGICAL ASSETS**

**1.19.1 Initial Recognition**

A biological asset or agricultural produce is recognised when, and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less estimated point-of-sale costs.

**1.19.2 Subsequent Measurement**

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

**1.20. INVENTORIES**

**1.20.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally

## **MALETSWAI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

#### **1.20.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs.

The municipality opted to take advantage of the provision contained in Directive 4 relating to the measurement of inventory.

#### **1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognized on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

##### **1.21.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

##### **1.21.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities

## MALETSWAI LOCAL MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.21.2.2 Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.21.2.3 Payables and Annuity Loans

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

#### 1.21.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand,

## **MALETSWAI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### **1.21.3 De-recognition of Financial Instruments**

##### **1.21.3.1 Financial Assets**

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

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

##### **1.21.3.2 Financial Liabilities**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

##### **1.21.3.4 Offsetting of Financial Instruments**



## **MALETSWAI LOCAL MUNICIPALITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

#### **1.22. REVENUE**

##### **1.22.1 Revenue from Non-Exchange Transactions**

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

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

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

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, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

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.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present 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 will be recognised as revenue.

**MALETSWAI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**1.22.2 Revenue from Exchange Transactions**

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

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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

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

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognized using the effective interest rate method.

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 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 are 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.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**1.22.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.23. RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

**MALETSWAI LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.24. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.25. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (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.

**1.26. FRUITLESS AND WASTEFUL EXPENDITURE**

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

**1.27. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

**1.28. PRESENTATION OF BUDGET INFORMATION**

As noted, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

**1.29. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Post retirement medical obligations, Long service awards and Ex gratia gratuities***

The cost of post retirement medical obligations, long service awards and ex-gratis gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Provisions and contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

***Revenue Recognition***

Accounting Policy 1.22.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.22.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, have transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the services have been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

***MALETSWAI LOCAL MUNICIPALITY***

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**1.30. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>1 LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	4 518 562	4 691 661
Hire Purchase	1 698 036	480 981
Capitalised Lease Liability - At amortised cost	772 535	1 225 324
	<b>6 989 133</b>	<b>6 397 966</b>
<b>Less:</b> Current Portion transferred to Current Liabilities	<b>1 159 071</b>	<b>939 794</b>
Annuity Loans - At amortised cost	181 863	173 099
Hire Purchase	418 546	313 906
Capitalised Lease Liability - At amortised cost	558 663	452 788
	<b>5 830 062</b>	<b>5 458 172</b>
<b>Plus:</b> Unamortised charges on loans	<b>(1 807 727)</b>	<b>(1 934 185)</b>
Balance 1 July	(1 934 185)	(2 057 620)
Unwinding of unamortised discount on non-current liabilities	126 459	123 435
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>4 022 336</b>	<b>3 523 986</b>

There is one annuity loan outstanding. The loans carries interest at 5% per annum and will be fully redeemed on 30 September 2029. The loan is secured by an investment and call investment deposit disclosed in notes 13 and 19

The obligations under annuity loans are scheduled below:

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	405 559	405 559
Payable within two to five years	1 622 236	1 622 236
Payable after five years	4 660 269	5 065 829
	6 688 065	7 093 624
<b>Less:</b> Future finance obligations	<b>(2 169 503)</b>	<b>(2 401 963)</b>
<b>Present value of annuity obligations</b>	<b>4 518 562</b>	<b>4 691 661</b>

The obligations under finance leases are scheduled below:

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	670 200	670 200
Payable within two to five years	223 400	893 600
Payable after five years	-	-
	893 600	1 563 800
<b>Less:</b> Future finance obligations	<b>(121 065)</b>	<b>(338 476)</b>
<b>Present value of lease obligations</b>	<b>772 535</b>	<b>1 225 324</b>

The obligations under hire purchase agreements are scheduled below:

	Minimum hire purchase payments	
Amounts payable under hire purchase agreements:		
Payable within one year	564 131	346 813
Payable within two to five years	1 537 363	171 626
Payable after five years	9 825	-
	2 111 319	518 439
<b>Less:</b> Future finance obligations	<b>(413 283)</b>	<b>(37 458)</b>
<b>Present value of hire purchase obligations</b>	<b>1 698 036</b>	<b>480 981</b>

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

Leases are secured by property, plant and equipment - Note 10

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2	EMPLOYEE BENEFITS	2011 R	2010 R
	Post Retirement Medical Benefits - Refer to Note 4.1	8 697 359	4 862 852
	Long Service Awards - Refer to Note 4.2	1 109 747	1 077 799
	<b>Total Non-current Employee Benefit Liabilities</b>	<b>9 807 106</b>	<b>5 940 651</b>
	<b><u>Post Retirement Medical Benefits</u></b>		
	Balance 1 July	4 900 328	4 514 041
	Contribution for the year	807 220	742 563
	Expenditure for the year	(288 427)	(239 684)
	Actuarial Loss/(Gain)	3 559 374	(116 592)
	<b>Total post retirement benefits 30 June</b>	<b>8 978 495</b>	<b>4 900 328</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(281 136)	(37 476)
	<b>Balance 30 June</b>	<b>8 697 359</b>	<b>4 862 852</b>
	<b><u>Long Service Awards</u></b>		
	Balance 1 July	1 385 423	1 147 073
	Contribution for the year	414 755	310 355
	Expenditure for the year	(136 951)	(13 793)
	Actuarial Gain	(193 383)	(58 212)
	<b>Total long service 30 June</b>	<b>1 469 844</b>	<b>1 385 423</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(360 097)	(307 624)
	<b>Balance 30 June</b>	<b>1 109 747</b>	<b>1 077 799</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>		
	Balance 1 July	6 285 751	5 661 114
	Contribution for the year	1 221 975	1 052 918
	Expenditure for the year	(425 378)	(253 477)
	Actuarial Loss/(Gain)	3 365 991	(174 804)
	<b>Total employee benefits 30 June</b>	<b>10 448 339</b>	<b>6 285 751</b>
	<b>Less:</b> Transfer of Current Portion - Note 5	(641 233)	(345 100)
	<b>Balance 30 June</b>	<b>9 807 106</b>	<b>5 940 651</b>

2.1 Post Retirement Benefits

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

In-service (employee) members	77	78
In-service (employee) non-members	171	-
Continuation members (e.g. Retirees, widows, orphans)	13	3
<b>Total Members</b>	<b>261</b>	<b>81</b>

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

	2011 R	2010 R
In-service members	5 140 619	4 493 857
Continuation members	3 837 876	406 471
<b>Total Liability</b>	<b>8 978 495</b>	<b>4 900 328</b>

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

	2009 R	2008 R
Total Liability	4 514 041	3 905 019



**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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

Bonitas;  
LA Health  
Hosmed  
Samwumed

The following are estimates for the 2011/2012 financial year:

Future Service Cost	422 508
Interest Cost	764 696

Key actuarial assumptions used:	<b>2011</b>	<b>2010</b>
	%	%
<b>i) Rate of interest</b>		
Discount rate	8.65%	9.09%
Health Care Cost Inflation Rate	7.32%	7.19%
Net Effective Discount Rate	1.24%	1.78%

**ii) Mortality rates**

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

**iii) Normal retirement age**

It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

	<b>2011</b>	<b>2010</b>
	R	R
<b>The amounts recognised in the Statement of Financial Position are as follows:</b>		
Present value of fund obligations	8 978 495	4 900 328
<b>Net liability/(asset)</b>	<b>8 978 495</b>	<b>4 900 328</b>

The municipality has elected to recognise the full increase in this defined benefit liability immediately.

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	4 900 328	4 514 041
Total expenses	518 793	502 879
Current service cost	363 310	346 266
Interest Cost	443 910	396 297
Benefits Paid	(288 427)	(239 684)
Actuarial (gains)/losses	3 559 374	(116 592)
Present value of fund obligation at the end of the year	8 978 495	4 900 328
<b>Less:</b> Transfer of Current Portion - Note 5	(281 136)	(37 476)
<b>Balance 30 June</b>	<b>8 697 359</b>	<b>4 862 852</b>

**Sensitivity Analysis on the Accrued Liability**

	<b>In-service members liability (Rm)</b>	<b>Continuation members liability (Rm)</b>	<b>Total liability (Rm)</b>
<b>Assumption</b>			
Central Assumptions	5.141	3.838	8.979

The effect of movements in the assumptions are as follows:

		<b>In-service members liability (Rm)</b>	<b>Continuation members liability (Rm)</b>	<b>Total liability (Rm)</b>	<b>% change</b>
<b>Assumption</b>	<b>Change</b>				
Health care inflation	1%	6.228	4.236	10.464	17%
Health care inflation	-1%	4.283	3.493	7.775	-13%
Post-retirement mortality	-1 year	5.320	3.990	9.310	4%
Average retirement age	-1 year	5.565	3.838	9.402	5%
Withdrawal Rate	-50%	5.636	3.838	9.473	6%

**2011**                      **2010**

**2.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

The number of officials eligible for Long Service Bonuses	249	252
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The following are estimates for the 2011/2012 financial year:

Future Service Cost	335 298
Interest Cost	95 986

Key actuarial assumptions used:	<b>2011</b>	<b>2010</b>
	%	%

**i) Rate of interest**

Discount rate	7.42%	8.94%
General Salary Inflation (long-term)	6.18%	6.30%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.17%	2.48%

	<b>2011</b>	<b>2010</b>
	R	R

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

Present value of fund obligations	1 469 844	1 385 423
<b>Net liability/(asset)</b>	<b>1 469 844</b>	<b>1 385 423</b>

	<b>2009</b>	<b>2008</b>
	R	R

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

Total Liability	1 147 073	1 087 510
-----------------	-----------	-----------

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	1 385 423	1 147 073
Total expenses	277 804	296 562
Current service cost	304 376	210 839
Interest Cost	110 379	99 516
Benefits Paid	(136 951)	(13 793)
Actuarial (gains)/losses	(193 383)	(58 212)
Present value of fund obligation at the end of the year	1 469 844	1 385 423
<b>Less:</b> Transfer of Current Portion - Note 5	(360 097)	(307 624)
<b>Balance 30 June</b>	<b>1 109 747</b>	<b>1 077 799</b>

**Sensitivity Analysis on the Unfunded Accrued Liability**

<b>Assumption</b>	<b>Change</b>	<b>Liability (Rm)</b>	<b>% change</b>
Central assumptions		1.470	
General salary inflation	1%	1.535	4%
General salary inflation	-1%	1.409	-4%
Average retirement age	-2 yrs	1.430	-3%
Average retirement age	2 yrs	1.560	6%
Withdrawal rates	-50%	1.698	16%

**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**2.3 Retirement funds**

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

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

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

**CAPE JOINT RETIREMENT FUND**

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

Contributions paid recognised in the Statement of Financial Performance

**2011  
R**

**2010  
R**

486 141

447 548

**DEFINED CONTRIBUTION FUNDS**

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

Contributions paid recognised in the Statement of Financial Performance

SALA Pension Fund  
Municipal Councillors Pension Fund  
SAMWU National Provident Fund

1 947 876  
123 826  
1 536 146

1 745 227  
102 238  
1 378 025

3 607 847

3 225 490

**3 NON-CURRENT PROVISIONS**

Provision for Rehabilitation of Landfill-sites

-

-

**Total Non-current Employee Benefit Liabilities**

-

-

The municipality has 2 Landfill sites. The sites are situated in Jamestown and Aliwal North.

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.1

**4 CONSUMER DEPOSITS**

Water and Electricity

1 670 152

1 625 342

**Total Consumer Deposits**

1 670 152

1 625 342

**Guarantees held in lieu of Electricity and Water Deposits**

-

-

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

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>5</b>		
<b>CURRENT EMPLOYEE BENEFITS</b>		
Current Portion of Post Retirement Benefits - Note 2	281 136	37 476
Current Portion of Long-Service Provisions - Note 2	360 097	307 624
Staff Leave	4 718 457	4 962 233
Balance previously reported		5 074 113
Correction of error - Refer to note 33.10		(111 881)
Compensation for injuries on duty contribution	285 664	667 409
Balance previously reported		657 599
Correction of error - Refer to note 33.10		9 810
<b>Total Current Employee Benefits</b>	<b>5 645 353</b>	<b>5 974 741</b>

The movement in current employee benefits are reconciled as follows:

**Compensation for injuries on duty contribution**

Balance at beginning of year	667 409	379 761
Contribution to current portion	285 664	287 647
Expenditure incurred	(667 409)	-
Balance at end of year	<b>285 664</b>	<b>667 409</b>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

**Staff Leave**

Balance at beginning of year	4 962 233	4 019 483
Movement in current portion	(243 776)	942 749
Balance at end of year	<b>4 718 457</b>	<b>4 962 233</b>

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

**6** **PROVISIONS**

Current Portion of Rehabilitation of Landfill Sites - Note 3	-	-
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.1	-	-

**7** **PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	2 697 513	3 036 619
Balance previously reported		2 278 415
Correction of error - Refer to note 33.05		758 204
Interest Accrued	63 945	58 485
Pre-paid electricity	300 993	233 468
Payments received in advance	1 687 285	1 117 395
Balance previously reported		917 193
Correction of error - Refer to note 33.05		200 202
Other Creditors	569 589	5 211 762
Balance previously reported		5 212 562
Correction of error - Refer to note 33.05		(800)
Deposits: Other	342 815	1 695 069
Balance previously reported		2 075 385
Correction of error - Refer to note 33.05		(380 315)
<b>Total Trade Payables</b>	<b>5 662 140</b>	<b>11 352 797</b>

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

Sundry deposits include hall, housing and unidentified deposits.

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
<b>Unspent Grants</b>	8 617 302	3 704 335
National Government Grants	-	39 041
Provincial Government Grants	8 008 589	2 642 952
District Municipality	600 270	1 013 899
Other Grant Providers	8 443	8 443
<b>Less: Unpaid Grants</b>	1 277 086	1 875 830
National Government Grants	1 007 291	1 606 035
Provincial Government Grants	269 795	269 795
<b>Total Conditional Grants and Receipts</b>	<b>7 340 216</b>	<b>1 828 505</b>

**Reconciliation of Conditional Grants**

Balance previously reported	3 003 361
Correction of error - Refer to note 33.04	(1 174 856)
	<b>1 828 505</b>

Refer to appendix D and note 21 for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

**9 TAXES**

**9.1 VAT Payable**

VAT Payable (In suspense)	1 208 381	25 225
VAT Payable to SARS	-	127 826
	<b>1 208 381</b>	<b>153 051</b>

**9.2 VAT Receivable**

VAT Receivable (In suspense)	-	344 741
Balance previously reported		673 589
Correction of error - Refer to note 33.03		(328 848)
VAT Receivable from SARS	776 686	246 697
Balance previously reported		244 241
Correction of error - Refer to note 33.03		2 456
	<b>776 686</b>	<b>591 438</b>
<b>Net VAT receivable</b>	<b>(431 695)</b>	<b>438 387</b>

VAT is payable and receivable on the cash basis.





MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>11 INVESTMENT PROPERTY</b>		
<b>Net Carrying amount at 1 July</b>	<b>25 038 001</b>	<b>25 038 001</b>
Cost	25 038 001	25 038 001
Balance previously reported		8 767 520
Correction of error - Refer to 33.11		16 270 481
Accumulated Depreciation	-	-
Acquisitions	-	-
Disposals	-	-
<b>Net Carrying amount at 30 June</b>	<b>25 038 001</b>	<b>25 038 001</b>
Cost	25 038 001	25 038 001
Accumulated Depreciation	-	-
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.3		
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
<b>12 INTANGIBLE ASSETS</b>		
<b>Net Carrying amount at 1 July</b>	<b>1 131 402</b>	<b>1 117 016</b>
Cost	1 131 402	1 117 016
Balance previously reported		1 088 530
Correction of error - Refer to note 33.02		28 486
Accumulated Amortisation	-	-
Acquisitions	235 066	14 386
Balance previously reported		5 526
Correction of error - Refer to note 33.02		8 860
<b>Net Carrying amount at 30 June</b>	<b>1 366 469</b>	<b>1 131 402</b>
Cost	1 366 469	1 131 402
Accumulated Amortisation	-	-
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.4		
<b>13 NON-CURRENT INVESTMENTS</b>		
Fixed Deposits	627 431	580 999
<b>Total Non-Current Investments</b>	<b>627 431</b>	<b>580 999</b>
Fixed Deposits are investments with a maturity period of more than 12 months and earn interest rates varying from 5.64 % to 6.02 % per annum. (2010 - 6.52% to 8.01%)		
Fixed deposits consist out of the following accounts		
ABSA Fixed Deposit - Account number 20-6626-7402	602 090	557 213
ABSA Fixed Deposit - Account number 20-4791-9733	25 341	23 786
	<b>627 431</b>	<b>580 999</b>
Included in Non-Current investments are balances ring-fenced for the following specific purposes:		
Security for DBSA loan - Refer note 1	602 090	557 213
	<b>602 090</b>	<b>557 213</b>



MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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BIOLOGICAL ASSETS

	Quantity (Units)	Fair Value R	2011 R	2010 R
Springbuck	276	350	96 600	99 125
Blesbuck	81	600	48 600	47 500
Black Wildebeest	36	1 300	46 800	49 500
Gemsbuck	31	2 500	77 500	60 750
Red Hartebeest	31	1 600	49 600	40 000
Eland	19	2 695	51 200	100 000
Zebra	20	3 500	70 000	66 500
Ostrich	12	300	3 600	4 250
Buffalo	13	61 538	800 000	650 000
			<b>1 243 900</b>	<b>1 117 625</b>

Fair value of biological assets is based on selling prices less costs to sell in an open active market.

	2011 R	2010 R
Reconciliation of fair value:		
Opening Fair Value	1 117 625	903 050
Acquisitions	-	-
Decrease in fair value due to disposals	(105 125)	(95 575)
Fair value adjustments - Physical changes and death	225 650	75 100
Fair value adjustments - Price adjustments	5 750	235 050
Closing Fair Value	<b>1 243 900</b>	<b>1 117 625</b>

No title or other restrictions are placed on biological assets.

No biological assets were pledged as security for liabilities.

There are no commitments for the development or acquisition of biological assets.

Due to the unwillingness of insurance companies to carry the risk and potential losses relating to biological assets, the financial risk is managed as follows:

- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring of game quantities by municipal staff.

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INVENTORY

Consumable Stores - Diesel	10 890	13 463
Consumable Stores - Tarr Premix	49 277	-
Consumable Stores - Electrical Stock	350 291	249 100
Balance previously reported		-
Correction of error - Refer to note 33.09		249 100
Water	-	-
	<b>410 459</b>	<b>262 563</b>

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 50.5

16

RECEIVABLES FROM EXCHANGE TRANSACTIONS

**Service Receivables**

Water	3 272 248	-
Electricity	1 736 445	2 622 682
Housing Rentals	278	278
Refuse	1 583 259	1 461 936
Sewerage	2 116 598	-
Other Arrears	1 036 786	929 530
Balance previously reported		167 455
Correction of error - Refer to note 33.06		762 075
<b>Total Service Receivables</b>	<b>9 745 611</b>	<b>5 014 426</b>
Less: Allowance for Doubtful Debts	(5 544 012)	(1 992 419)
Balance previously reported		-
Correction of error - Refer to note 33.06		(1 992 419)
<b>Net Service Receivables</b>	<b>4 201 600</b>	<b>3 022 006</b>

**Other Receivables**

	2011 R	2010 R
Joe Gqabi District Municipality (Water and Sanitation)	5 026 962	9 822 231
Balance previously reported		-
Correction of error - Refer to note 33.06		9 822 231

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Net Other Receivables	5 026 962	9 822 231
<b>Total Receivables from exchange transactions</b>	<b>9 228 561</b>	<b>12 844 237</b>
<b>Ageing of Receivables from Exchange Transactions</b>		
	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
<b><u>(Water): Ageing</u></b>		
Current (0 - 30 days)	883 434	-
31 - 60 Days	254 016	-
61 - 90 Days	193 880	-
+ 90 Days	1 940 917	-
<b>Total</b>	<b>3 272 248</b>	<b>-</b>
<b><u>(Electricity): Ageing</u></b>		
Current (0 - 30 days)	894 452	1 593 223
31 - 60 Days	89 510	274 150
61 - 90 Days	92 164	122 821
+ 90 Days	660 319	632 488
<b>Total</b>	<b>1 736 445</b>	<b>2 622 682</b>
<b><u>(Housing rentals): Ageing</u></b>		
Current (0 - 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	278	278
<b>Total</b>	<b>278</b>	<b>278</b>
<b><u>(Refuse): Ageing</u></b>		
Current (0 - 30 days)	207 366	220 301
31 - 60 Days	85 431	105 888
61 - 90 Days	67 346	91 952
+ 90 Days	1 223 116	1 043 794
<b>Total</b>	<b>1 583 259</b>	<b>1 461 936</b>
<b><u>(Sewerage): Ageing</u></b>		
Current (0 - 30 days)	213 808	-
31 - 60 Days	119 359	-
61 - 90 Days	99 337	-
+ 90 Days	1 684 094	-
<b>Total</b>	<b>2 116 598</b>	<b>-</b>
<b><u>(Other arrears): Ageing</u></b>		
Current (0 - 30 days)	103 534	107 991
31 - 60 Days	50 745	83 429
61 - 90 Days	48 078	44 493
+ 90 Days	834 428	693 618
<b>Total</b>	<b>1 036 786</b>	<b>929 530</b>
<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	2 302 595	1 921 515
31 - 60 Days	599 060	463 467
61 - 90 Days	500 805	259 266
+ 90 Days	6 343 151	2 370 178
<b>Total</b>	<b>9 745 611</b>	<b>5 014 426</b>

**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>Reconciliation of Provision for Bad Debts</b>	<b>2011 R</b>	<b>2010 R</b>
Balance at beginning of year	1 992 419	-
Contribution to provision	3 594 973	1 992 419
Bad Debts Written Off	(43 380)	-
<b>Balance at end of year</b>	<b>5 544 012</b>	<b>1 992 419</b>

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

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%. In terms of the principles in GRAP 104 discounting is only performed after the "due date", therefore no discounting is recognised.

The fair value of trade and other receivables approximates their carrying amounts.

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**RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

***Service Receivables***

Rates	3 389 135	2 138 850
Balance previously reported		2 107 110
Correction of error - Refer to note 33.07		(31 740)
<b><i>Other Receivables</i></b>	<b>609 751</b>	<b>1 984 214</b>
Staff	31 513	136 632
Balance previously reported		162 238
Correction of error - Refer to note 33.07		(18 896)
Deposits	49 130	49 130
Government	511 256	489 746
Joe Gqabi District Municipality (Water and Sanitation)	-	-
Balance previously reported		10 582 939
Correction of error - Refer to note 33.07		(10 582 939)
Other Debtors	17 852	1 308 705
Balance previously reported		1 926 242
Correction of error - Refer to note 33.07		(617 537)
<b>Total Service Receivables</b>	<b>3 998 885</b>	<b>4 123 064</b>
Less: Allowance for Doubtful Debts	(1 836 019)	(1 416 648)
Balance previously reported		(3 409 068)
Correction of error - Refer to note 33.07		1 992 419
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>2 162 867</b>	<b>2 706 416</b>

**Ageing of Receivables from Non-Exchange Transactions**

***(Rates): Ageing***

Current (0 - 30 days)	492 946	866 396
31 - 60 Days	133 310	126 924
61 - 90 Days	105 276	86 261
+ 90 Days	2 657 603	1 059 270
<b>Total</b>	<b>3 389 135</b>	<b>2 138 850</b>

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>Reconciliation of Provision for Bad Debts</b>		
Balance at beginning of year	1 416 648	1 637 909
Reduction in provision	419 371	(72 441)
Bad Debts Written Off	-	(148 819)
<b>Balance at end of year</b>	<b>1 836 019</b>	<b>1 416 648</b>

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

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of trade and other receivables approximates their carrying amounts.

18 OPERATING LEASE ARRANGEMENTS

The Municipality as Lessor

<b>Balance on 1 July</b>	33 719	34 328
Balance previously reported		10 384
Correction of error - Refer to note 33.08		23 944
Movement during the year	(1 671)	(609)
Balance previously reported		(1 727)
Correction of error - Refer to note 33.08		1 118
<b>Balance on 30 June</b>	<b>32 049</b>	<b>33 719</b>

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

Up to 1 Year	180 593	188 485
1 to 5 Years	147 253	327 255
More than 5 Years	26 336	26 927
<b>Total Operating Lease Arrangements</b>	<b>354 182</b>	<b>542 667</b>

19 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	535 782	142 913
Primary Bank Account	88 848	76 720
Cash Floats	5 552	4 052
<b>Total Cash and Cash Equivalents - Assets</b>	<b>630 182</b>	<b>223 685</b>

Liabilities

Primary Bank Account	731 684	3 029 190
<b>Total Cash and Cash Equivalents - Liabilities</b>	<b>731 684</b>	<b>3 029 190</b>

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

Call Investments Deposits to an amount of R 535 782 (2010 - R 142 413) is held as security for the DBSA loan. Refer note 1

No overdraft facility exist.

The municipality has the following bank accounts:

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

<u>Current Accounts</u>	2011 R	2010 R
<b>ABSA Bank - Aliwal North Branch - Account Number 1750 14 6194 (Primary Account)</b>		
Cash book balance at beginning of year	(3 029 190)	1 209 981
Cash book balance at end of year	(731 684)	(3 029 190)
Bank statement balance at beginning of year	1 339 319	4 067 361
Bank statement balance at end of year	2 176 571	1 339 319
<b>ABSA Bank - Aliwal North Branch - Account Number 4053 40 8352</b>		
Cash book balance at beginning of year	13 581	396 718
Cash book balance at end of year	12 887	13 581
Bank statement balance at beginning of year	13 618	814 833
Bank statement balance at end of year	12 887	13 618
<b>ABSA Bank - Aliwal North Branch - Account Number 1750 14 1125</b>		
Cash book balance at beginning of year	58 383	444 564
Cash book balance at end of year	71 904	58 383
Bank statement balance at beginning of year	69 069	464 052
Bank statement balance at end of year	71 904	69 069
<b>ABSA Bank - Aliwal North Branch - Account Number 4059 12 9037</b>		
Cash book balance at beginning of year	4 756	(192)
Cash book balance at end of year	4 057	4 756
Bank statement balance at beginning of year	4 714	5 168
Bank statement balance at end of year	4 057	4 714
<b>ABSA Bank - Aliwal North Branch - Account Number 9078 64 6459</b>		
Cash book balance at beginning of year	-	8
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	2 337
Bank statement balance at end of year	-	-
<b>ABSA Bank - Aliwal North Branch - Account Number 1751 48 952</b>		
Cash book balance at beginning of year	(1 357 805)	-
Cash book balance at end of year	-	(1 357 805)
Bank statement balance at beginning of year	(1 357 179)	-
Bank statement balance at end of year	-	(1 357 179)
<b>ABSA Bank - Aliwal North Branch - Account Number 4054 452 522</b>		
Cash book balance at beginning of year	(364 836)	-
Cash book balance at end of year	-	(364 836)
Bank statement balance at beginning of year	(364 836)	-
Bank statement balance at end of year	-	(364 836)
<b>Standard Bank - Aliwal North Branch - Account Number 082 752 656</b>		
Cash book balance at beginning of year	(904)	-
Cash book balance at end of year	-	(904)
Bank statement balance at beginning of year	8 684	9 648
Bank statement balance at end of year	-	8 684

**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

			2011 R	2010 R
<b><u>Call Investment Deposits</u></b>				
Call investment deposits consist out of the following accounts:				
<u>Institution</u>	<u>Account Nr</u>	<u>Type</u>		
ABSA	20-6626-7428	32 Days Notice	535 782	142 913
			<u>535 782</u>	<u>142 913</u>

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**PROPERTY RATES**

**Actual**

**Rateable Land and Buildings**

Residential, Commercial Property, State

**Less: Rebates**

**Total Assessment Rates**

11 886 529	10 415 536
<u>11 886 529</u>	<u>10 415 536</u>
(3 430 671)	(2 990 212)
<u>8 455 858</u>	<u>7 425 324</u>

**Valuations**

**Rateable Land and Buildings**

Aliwal Residential

Sectional Title

Jamestown

Dukathole

Aliwal Agricultural

Dordrecht Agricultural

**Total Assessment Rates**

1 139 432 100	1 144 698 600
36 140 000	28 277 000
37 226 000	37 226 800
244 413 500	244 413 500
528 515 120	527 658 870
380 263 000	371 119 500
<u>2 365 989 720</u>	<u>2 353 394 270</u>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted. On registered indigent households rebate was approved up to a value of R65 000 per household. Further rebates were approved for agricultural properties that were phased in according to the Property Rates Act.

**Rebates on Income - Basic Rate:**

Residential Properties

Commercial/Business and Industrial Properties

Public Service Infrastructure properties

Public Benefit Organisation Properties

Agricultural Properties used for agricultural purposes

Agricultural Properties used for Commercial/Industrial purposes

Agricultural Properties used for Hunting/Trading of Game

State Owned properties

Municipal Properties

Mining Properties

Vacant Properties

0.649c/R	0.590c/R
0.779c/R	0.710c/R
0.195c/R	0.590c/R
0.000c/R	0.000c/R
0.162c/R	0.148c/R
0.325c/R	0.296c/R
0.325c/R	0.296c/R
0.649c/R	0.590c/R
0.000c/R	0.000c/R
1.298c/R	1.180c/R
1.298c/R	1.180c/R

Rates are levied annually and monthly. Monthly rates are payable by the 15th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>21 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>17 619 752</b>	<b>14 328 179</b>
Equitable Share	17 619 752	14 328 179
<b>Conditional Grants</b>	<b>26 760 448</b>	<b>23 803 848</b>
Grants and Donations	25 481 173	21 120 888
Subsidies	1 279 275	2 682 960
<b>Total Government Grants and Subsidies</b>	<b>44 380 200</b>	<b>38 132 027</b>
Government Grants and Subsidies - Capital	22 403 129	17 743 666
Government Grants and Subsidies - Operating	21 977 071	20 388 361
	<b>44 380 200</b>	<b>38 132 027</b>

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

**21.01 Equitable share**

Opening balance	-	-
Grants received	17 619 752	14 328 179
Conditions met - Operating	(17 619 752)	(14 328 179)
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

**21.02 Health Subsidy**

Opening balance	-	-
Grants received	1 279 275	2 682 960
Conditions met - Operating	(1 279 275)	(2 682 960)
Conditions still to be met	-	-

Health subsidies was used fund primary health care services in the municipal area.

**21.03 Finance Management Grant (FMG)**

Opening balance	39 041	805 382
Grants received	1 250 000	1 000 000
Transfers	111 687	-
Conditions met - Operating	(1 300 522)	(1 334 334)
Conditions met - Capital	(276 138)	(432 008)
Conditions still to be met/(Grant expenditure to be recovered)	(175 932)	39 041

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

**21.04 Municipal Systems Improvement Grant (MSIG)**

Opening balance	-	200 000
Grants received	750 000	500 000
Transfers	(111 687)	-
Conditions met - Operating	(638 313)	(700 000)
Conditions still to be met	-	-

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
<b>21.05 Municipal Infrastructure Grant (MIG)</b>		
Opening balance	(331 777)	-
Grants received	10 487 000	7 349 000
Conditions met - Capital	(10 575 245)	(7 680 777)
Grant expenditure to be recovered	<u>(420 022)</u>	<u>(331 777)</u>
<p>The grant was used to construct roads and storm water infrastructure, with the main focus on the historically disadvantaged areas.</p>		
<b>21.06 Housing Grants</b>		
Opening balance	2 257 329	2 409 404
Grants received	-	301 301
Conditions met - Operating	(3 400)	(453 376)
Conditions still to be met	<u>2 253 929</u>	<u>2 257 329</u>
<p>Housing grants was utilised for the development of erven and the erection of top structures.</p>		
<b>21.07 Integrated National Electrification Grant</b>		
Opening balance	(1 274 258)	5 356 623
Grants received	10 000 000	3 000 000
Conditions met - Capital	(9 137 079)	(9 630 881)
Grant expenditure to be recovered	<u>(411 336)</u>	<u>(1 274 258)</u>
<p>The National Electrification Grant was used to upgrade the sub-station and electrification network.</p>		
<b>21.08 Department of Environmental Affairs and Tourism (DEAT)</b>		
Opening balance	-	-
Grants received	6 905 035	-
Conditions met - Capital	(2 354 667)	-
Conditions still to be met	<u>4 501 535</u>	<u>-</u>
<p>The grant is utilised to protect, conserve and enhance our environment, natural and heritage assets and resources.</p>		
<b>21.09 Other Grants</b>		
Opening balance	1 138 170	534 009
Grants received	1 600 846	1 418 673
Conditions met - Operating	(1 086 975)	(814 512)
Conditions met - Capital	(60 000)	-
Conditions still to be met	<u>1 592 041</u>	<u>1 138 170</u>
<p>Various grants were received from other spheres of government and includes for example the following: Spatial Development Framework, Skills Development Grant, Ukhahlamba Library Equipment Fund etc.</p>		
<b>21.10 Total Grants</b>		
Opening balance	1 828 505	9 305 418
Grants received	49 891 912	30 580 113
Conditions met - Operating	(21 977 071)	(20 313 361)
Conditions met - Capital	(22 403 129)	(17 743 666)
Conditions still to be met	<u>7 340 216</u>	<u>1 828 505</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	8 617 302	3 704 335
Unpaid Conditional Government Grants and Receipts	(1 277 086)	(1 875 830)
	<u>7 340 216</u>	<u>1 828 505</u>



MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>22 SERVICE CHARGES</b>		
Electricity	40 907 836	31 312 263
Refuse Removal	5 212 118	4 202 871
Sewerage	5 597 212	-
Water	9 705 761	-
	<u>61 422 928</u>	<u>35 515 134</u>
<b>Less: Rebates</b>	<b>(17 019 478)</b>	<b>(6 198 675)</b>
<b>Total Service Charges</b>	<b><u>44 403 450</u></b>	<b><u>29 316 460</u></b>
<p>Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.</p>		
<b>23 WATER SERVICES AUTHORITY CONTRIBUTION</b>		
Joe Gqabi District Municipality - Water and Sewerage functions	8 550 292	10 959 497
	<u>8 550 292</u>	<u>10 959 497</u>
<p>A new agreement was entered into between the municipality and the Joe Gqabi District Municipality in terms of which the Joe Gqabi District Municipality pays a pre-determined amount to the municipality for the rendering of the water and sanitation function. This agreement came into effect on 1 July 2010. In the comparative year the municipality acted as agent for the Joe Gqabi District Municipality to render water and sanitation services. This agreement was treated in terms of GRAP 9 and the municipality was reimbursed for any expenditure incurred relating to the water and sanitation function. The comparative figure was incorrectly stated in the prior year, and was subsequently corrected so that the full expenditure incurred are disclosed on a line-by-line basis and the full amount reimbursed disclosed as revenue.</p> <p>Refer to note 34 for details regarding the restatement of comparative figures to correctly reflect the agency agreement</p>		
<b>24 OTHER INCOME</b>		
Admission Fees	194 503	239 954
Sundry Income	593 823	451 949
Building Plan & Inspection Fees	88 465	42 135
Sale of Game	128 757	100 853
Electricity Re-Connection Fees	456 361	517 029
Cemetery Fees	112 703	129 116
Pound Fees	861	450
<b>Total Other Income</b>	<b><u>1 575 474</u></b>	<b><u>1 481 485</u></b>
<b>25 FAIR VALUE ADJUSTMENTS</b>		
Fair value changes in biological assets - Note14	126 275	214 575
	<u>126 275</u>	<u>214 575</u>
<b>26 EMPLOYEE RELATED COSTS</b>		
Employee Related Costs - Salaries and Wages	24 491 845	23 000 072
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	5 784 085	5 333 679
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 763 073	2 062 283
Housing Benefits and Allowances	62 813	64 499
Overtime Payments	1 409 498	1 436 483
Bonuses	1 852 347	1 595 080
Performance Bonuses	626 552	-
Provision for leave	410 422	1 214 515
Contribution for training	334 409	264 401
Industrial Council Levy	13 497	37 001
Provision for compensation for injuries on duty	285 664	287 647
Long Service Awards	304 376	210 839
Contribution to provision - Post Retirement Medical - Note 2	363 310	346 266
<b>Total Employee Related Costs</b>	<b><u>38 701 890</u></b>	<b><u>35 852 766</u></b>
<p>The performance bonuses included in employee related costs is in respect of three financial years.</p>		

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	2011 R	2010 R
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	919 043	879 232
Performance bonus	298 732	-
Other Allowance	18 000	18 000
<b>Total</b>	<b>1 235 775</b>	<b>897 232</b>
<b>Remuneration of the Director Technical Services</b>		
Annual Remuneration	785 208	689 650
Performance bonus	229 003	-
Other Allowance	10 800	10 800
<b>Total</b>	<b>1 025 011</b>	<b>700 450</b>
<b>Remuneration of the Director Community and Social Services</b>		
Annual Remuneration	626 961	294 496
Performance bonus	17 528	-
Other Allowance	10 800	5 714
<b>Total</b>	<b>655 290</b>	<b>300 210</b>
<b>Remuneration of the Director Corporate and Support Services</b>		
Annual Remuneration	669 521	604 307
Performance bonus	55 074	-
Other Allowance	10 800	10 800
<b>Total</b>	<b>735 396</b>	<b>615 107</b>
<b>Remuneration of the Director Financial Services</b>		
Annual Remuneration	726 389	672 506
Other Allowance	10 755	10 620
<b>Total</b>	<b>737 144</b>	<b>683 126</b>

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REMUNERATION OF COUNCILLORS

Councillors	1 916 549	1 635 651
Travelling allowance	385 537	447 202
Telephone allowance	134 539	133 329
Other allowance	-	283 556
UIF Contributions	17 613	16 921
<b>Total Councillors' Remuneration</b>	<b>2 454 238</b>	<b>2 516 658</b>

**Certification by the Municipal Manager**

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....  
Signed: Municipal Manager

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DEBT IMPAIRMENT

Trade Receivables from exchange transactions - Note 16	3 594 973	1 992 419
Other Receivables from non-exchange transactions - Note 17	419 371	(72 441)
<b>Total Contribution to Impairment Provision</b>	<b>4 014 343</b>	<b>1 919 978</b>

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011 R	2010 R
<b>29</b>	<b>FINANCE CHARGES</b>		
	DBSA loan	230 302	238 747
	Hire Purchases	70 181	67 898
	Finance leases	217 412	304 179
	Overdraft Facilities	594	27
	Non-current employee benefits	554 289	495 813
	Unamortised Discount - Interest (DBSA Loan)	126 459	123 435
	Interest on Creditors	13 945	63 944
	<b>Total finance charges</b>	<b>1 213 181</b>	<b>1 294 044</b>
<b>30</b>	<b>BULK PURCHASES</b>		
	Electricity	27 394 842	21 214 800
	Water	-	642 543
	<b>Total Bulk Purchases</b>	<b>27 394 842</b>	<b>21 857 343</b>
<b>31</b>	<b>GRANTS AND SUBSIDIES PAID</b>		
	Institutions	-	378 910
	<b>Total Grants and Subsidies</b>	<b>-</b>	<b>378 910</b>
<b>32</b>	<b>GENERAL EXPENSES</b>		
	Advertisements	161 933	197 517
	Audit Fees	1 306 562	2 018 429
	Bank Charges	408 390	345 963
	Books, Publications and magazines	38 356	75 458
	Commission Prepaid Vendors	591 658	256 073
	Entertainment	244 853	208 738
	Insurance	1 000 137	685 839
	Integrated development planning	56 222	185 141
	Legal Costs	177 073	192 770
	License Fees	571 959	484 539
	Membership Fees	184 908	211 833
	Printing and Stationary	510 466	490 783
	Professional Services	260 538	679 610
	Projects from own funds	-	113 559
	Security Services	511 002	674 901
	Subsistence and Travelling	1 528 961	1 252 469
	Telephone Charges	1 116 366	1 027 183
	Training	950 426	794 706
	Vehicle: Fuel & Oil	1 029 474	962 340
	Water Purchases	-	616 520
	Other	3 636 194	3 781 559
	<b>General Expenses</b>	<b>14 285 478</b>	<b>15 255 930</b>

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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33	<b>CORRECTION OF ERROR IN TERMS OF GRAP 3</b>	
	<b>33.01 Property Plant and Equipment</b>	
	<b>Balance previously reported</b>	<b>133 531 649</b>
	Reallocation of intangible assets purchased during 2008/2009 - Refer to note 33.02	(28 486)
	Reallocation of intangible assets purchased during 2009/2010 - Refer to note 33.02	(8 860)
	Correction of VAT incorrectly not claimed on asset additions 2008/2009 - Refer to note 33.03	(2 456)
	Correction of hand radios incorrectly classified as infrastructure	-
	Effect on Infrastructure - Electricity	(11 480)
	Effect on Tools and equipment	11 480
	Correction of fuel incorrectly capitalised during 2009/2010 - Refer to note 34	(383)
	Reclassification of PPE in line with accounting records	-
	Effect on Infrastructure - Roads and Storm water	(1)
	Effect on Infrastructure - Electricity	(963 389)
	Effect on Infrastructure - Water	(1)
	Effect on Infrastructure - Housing	(12 346 612)
	Effect on Infrastructure - Other	120 021
	Effect on Land and Buildings	32 969 721
	Effect on Office Equipment	312 365
	Effect on Tools and equipment	1 598 546
	Effect on Spa	(21 644 794)
	Effect on Vehicles and Implements	(45 855)
	Restatement of land and buildings in line with municipal values on 30 June 2009 - Refer to note 33.12	(7 050 734)
	Removal of vehicles and implements scrapped prior to 30 June 2008 - Refer to note 33.12	(65 512)
	Write down the values of tools and equipment purchased prior to 1 July 2008 to zero. Deemed cost values to be assigned to these assets in terms of Directive 7 during the 2011/2012 financial year - Refer to note 33.12	(2 154 819)
	Write down the values of office equipment purchased prior to 1 July 2008 to zero. Deemed cost values to be assigned to these assets in terms of Directive 7 during the 2011/2012 financial year - Refer to note 33.12	(2 339 480)
		<b><u>121 880 921</u></b>
	<b>33.02 Intangible Assets</b>	
	<b>Balance previously reported</b>	<b>1 094 057</b>
	Reallocation of intangible assets from PPE purchased during 2008/2009 - Refer to note 33.01	28 486
	Reallocation of intangible assets purchased during 2009/2010 - Refer to note 33.01	8 860
		<b><u>1 131 402</u></b>
	<b>33.03 Taxes</b>	
	<b>Balance previously reported</b>	<b>764 780</b>
	Correction of VAT incorrectly not claimed on asset additions 2008/2009 - Refer to note 33.01	2 456
	Receivables vote incorrectly classified as part of Taxes - Refer to note 33.06	(58 014)
	Correction of VAT receivable in suspense balance on 30 June 2009 - Refer to note 33.12	(270 834)
		<b><u>438 387</u></b>
	<b>33.04 Conditional grants and receipts</b>	
	<b>Balance previously reported</b>	<b>3 003 361</b>
	Correction of grants receipts incorrectly not allocated to conditional grants - Refer to note 33.05	301 301
	Restatement of balances where conditions attached to grant were already met prior to 30 June 2009 - Refer to note 33.12	(1 476 158)
		<b><u>1 828 505</u></b>
	<b>33.05 Payables from exchange transactions</b>	
	<b>Balance previously reported</b>	<b>10 775 507</b>
	Correction of grants receipts incorrectly not allocated to conditional grants - Refer to note 33.04	(301 301)
	Reallocation of credit balances included in other arrears - Refer to note 33.06	200 202
	Grant receipt and expenditure previously not recognised (EC Housing) - Refer to note 34	(75 000)
	Correction of Other deposits on 30 June 2010 - Refer to note 34	(4 014)
	Correction of sundry creditors on 30 June 2010 - Refer to note 34	(800)
	Correction of trade payables on 30 June 2009 - Refer to note 33.12	(16 078)
	Correction of trade payables on 30 June 2010 - Refer to note 34	774 282
		<b><u>11 352 797</u></b>

**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2010 R
<b>33.06</b>	<b>Receivables from exchange transactions</b>	
	<b>Balance previously reported</b>	<b>4 252 351</b>
	Correction of incorrect vote classification (other arrears) - Refer to note 33.07	498 292
	Reallocation of credit balances included in other arrears - Refer to note 33.05	200 202
	Receivables vote incorrectly classified as part of Taxes - Refer to note 33.03	58 014
	Provision for doubtful debts incorrectly not allocated to receivables from exchange transactions - Refer to note 33.07	(1 992 419)
	Correction of other receivables (exchange) on 30 June 2010 - Refer to note 34	5 568
	Reallocation of Joe Gqabi receivable incorrectly classified as non-exchange - Refer to note 33.07	10 582 939
	Correction of Joe Gqabi District Municipality balance on 30 June 2009 - Refer to note 33.12	(760 708)
		<b><u>12 844 237</u></b>
<b>33.07</b>	<b>Receivables from non-exchange transactions</b>	
	<b>Balance previously reported</b>	<b>10 775 507</b>
	Correction of incorrect vote classification - Refer to note 33.06	(498 292)
	Provision for doubtful debts incorrectly not allocated to receivables from exchange transactions - Refer to note 33.06	1 992 419
	Write off staff debtors on 30 June 2009 - Refer to note 33.12	(18 896)
	Write off staff debtors on 30 June 2010 - Refer to note 34	(6 710)
	Reallocation of Joe Gqabi receivable incorrectly classified as non-exchange - Refer to note 33.06	(10 582 939)
	Correction of rates balance on 30 June 2009 - Refer to note 33.12	(31 740)
	Correction of other debtors (non-exchange) on 30 June 2010 - Refer to note 34	(119 245)
		<b><u>1 510 105</u></b>
<b>33.08</b>	<b>Operating lease agreements</b>	
	<b>Balance previously reported</b>	<b>8 657</b>
	Correction of operating lease balance on 1 July 2009 - Refer to note 33.12	23 944
	Correction of movement in operating lease asset during 2009/2010 - Refer to note 34	1 118
		<b><u>33 719</u></b>
<b>33.09</b>	<b>Inventory</b>	
	<b>Balance previously reported</b>	<b>13 463</b>
	Correction of electrical stock on 30 June 2010 - Refer to note 34	249 100
		<b><u>262 563</u></b>
<b>33.10</b>	<b>Current Employee benefits</b>	
	<b>Balance previously reported</b>	<b>6 076 812</b>
	Correction of contribution to WCA provision on 30 June 2010 - Refer to note 34	9 810
	Correction of leave balance on 30 June 2009 - Refer to note 33.12	141 706
	Correction of the contribution to the leave balance for 2009/2010 - Refer to note 34	(253 587)
		<b><u>5 974 741</u></b>
<b>33.11</b>	<b>Investment property</b>	
	<b>Balance previously reported</b>	<b>8 767 520</b>
	Correction of investment property balance on 30 June 2009 - Refer to note 33.12	16 270 481
		<b><u>25 038 001</u></b>

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

33.12 Accumulated Surplus	2010 R
<b>Balance previously reported</b>	
Correction of operating lease balance on 1 July 2009 - Refer to note 33.08	23 944
Correction of leave balance on 30 June 2009 - Refer to note 33.10	(141 706)
Correction of trade payables on 30 June 2009 - Refer to note 33.05	16 078
Write off staff debtors on 30 June 2009 - Refer to note 33.07	(18 896)
Correction of Joe Gqabi District Municipality balance on 30 June 2009 - Refer to note 33.06	(760 708)
Correction of rates balance on 30 June 2009 - Refer to note 33.07	31 740
Correction of VAT receivable in suspense balance on 30 June 2009 - Refer to note 33.03	(270 834)
Correction of investment property balance on 30 June 2009 - Refer to note 33.11	16 270 481
Restatement of land and buildings in line with municipal values on 30 June 2009 - Refer to note 33.01	(7 050 734)
Removal of vehicles and implements scrapped prior to 30 June 2009 - Refer to note 33.01	(65 512)
Write down the values of tools and equipment purchased prior to 1 July 2008 to zero. Deemed cost values to be assigned to these assets in terms of Directive 7 during the 2011/2012 financial year - Refer to note 33.01	(2 154 819)
Write down the values of office equipment purchased prior to 1 July 2008 to zero. Deemed cost values to be assigned to these assets in terms of Directive 7 during the 2011/2012 financial year - Refer to note 33.01	(2 339 480)
Restatement of balances where conditions attached to grant were already met prior to 30 June 2009 - Refer to note 33.04	1 476 158
	<b>5 015 713</b>
<b>34 RECONCILIATION PRIOR YEAR SURPLUS FOR THE YEAR</b>	
<b>Balance previously reported</b>	<b>9 956 867</b>
Correction of fuel incorrectly capitalised during 2009/2010 - Refer to note 33.01	(383)
Correction of movement in operating lease asset during 2009/2010 - Refer to note 33.08	1 118
Correction of electrical stock on 30 June 2010 - Refer to note 33.09	249 100
Correction of contribution to WCA provision on 30 June 2010 - Refer to note 33.10	(9 810)
Correction of the contribution to the leave balance for 2009/2010 - Refer to note 33.10	253 587
Grant receipt and expenditure previously not recognised (EC Housing) - Refer to note 33.05	75 000
Correction of Other deposits on 30 June 2010 - Refer to note 33.05	4 014
Effect on Other Income	3 014
Effect on Rental of Facilities and Equipment	1 000
Correction of sundry creditors on 30 June 2010 - Refer to note 33.05	800
Effect on General Expenses	800
Correction of trade payables on 30 June 2010 - Refer to note 33.05	<b>(774 282)</b>
Effect on Service Charges	196
Effect on Rental of Facilities and Equipment	(250)
Effect on Other Income	7 228
Effect on Employee related costs	280
Effect on Repairs and Maintenance	(220 386)
Effect on Finance Charges	(27)
Effect on Other Operating Grant Expenditure	(65 552)
Effect on General Expenses	(495 771)
Correction of other receivables (exchange) on 30 June 2010 - Refer to note 33.06	5 568
Effect on General Expenses	5 568
Write off staff debtors on 30 June 2010 - Refer to note 33.07	<b>(6 710)</b>
Effect on Debt Impairment	(6 710)
Correction of other debtors (non-exchange) on 30 June 2010 - Refer to note 33.07	<b>(119 245)</b>
Effect on Repairs and Maintenance	(113 908)
Effect on General Expenses	(5 337)
Restatement of income and expenses relating to water and sanitation where the municipality acted as agent	-
Effect on Water service authority contribution	8 877 417
Effect on Employee related costs	(4 090 812)
Effect on Repairs and Maintenance	(799 868)
Effect on Bulk Purchases	(642 543)
Effect on General Expenses	(3 344 194)
Payments in respect of Continuation members not allocated to the employee benefit provision	-
Effect on Employee related costs	239 684
Effect on Actuarial Gains	(239 684)
Free basic electricity (Revenue foregone) incorrectly disclosed as an operating grant expenditure	-
Effect on Service Charges	(1 412 931)
Effect on Operating grant expenditure	1 412 931
	<b>9 635 624</b>

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus for the year	15 443 004	9 635 624
<b>Adjustments for:</b>		
Gain on disposal of property, plant and equipment	(51 539)	(207 194)
Contribution to employee benefits - non-current	1 221 975	1 052 918
Expenditure incurred - Employee Benefits	(425 378)	(253 477)
Actuarial losses	3 559 374	-
Actuarial gains	(193 383)	(174 804)
Contribution to/Expenditure incurred - Current Employee Benefits	(625 521)	1 230 397
Bad debts	(43 380)	(148 819)
Contribution to provisions – bad debt	4 014 343	1 919 978
Fair Value Adjustments	(126 275)	(214 575)
Operating lease income accrued	1 671	609
Grants received	49 891 909	30 655 113
Grant expenditure incurred	(44 380 200)	(38 132 027)
Operating Surplus before changes in working capital	28 286 599	5 363 744
Changes in working capital	(4 780 209)	6 040 245
Increase/(Decrease) in Payables from exchange transactions	(5 690 658)	7 849 178
Increase in Taxes	870 082	2 222 888
Increase in Inventory	(147 896)	(247 794)
(Increase)/Decrease in Receivables from exchange and non-exchange transactions	188 262	(3 784 027)
<b>Cash generated by operations</b>	<b>23 506 390</b>	<b>11 403 989</b>
<b>36 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Call Investments Deposits - Note 19	535 782	142 913
Cash Floats - Note 19	5 552	4 052
Bank - Note 19	88 848	76 720
Bank overdraft - Note 19	(731 684)	(3 029 190)
<b>Total cash and cash equivalents</b>	<b>(101 502)</b>	<b>(2 805 506)</b>
<b>37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 36	(101 502)	(2 805 506)
Investments - Note 13	627 431	580 999
Less:	525 929	(2 224 507)
	10 963 555	4 557 512
Unspent Committed Conditional Grants - Note 8	8 617 302	3 704 335
VAT - Note 9	1 208 381	153 051
Secured Investments and cash	1 137 872	700 126
<b>Resources available for working capital requirements</b>	<b>(10 437 626)</b>	<b>(6 782 019)</b>
<b>38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 1	6 989 133	6 397 966
Used to finance property, plant and equipment - at cost	(6 989 133)	(6 397 966)
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of 5% and will be fully redeemed on 30 September 2027.		

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

39

BUDGET COMPARISONS

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
<b>39.1 Operational</b>				
<b>Revenue by source</b>				
Property Rates	8 455 858	8 700 000	(244 142)	-3%
Government Grants and Subsidies	44 380 200	43 861 201	518 999	1%
Actuarial Gains	193 383	-	193 383	100%
Third Party Payments	178 175	3 020 000	(2 841 825)	-94%
Fines	273 112	366 100	(92 988)	-25%
Service Charges	44 403 450	51 259 500	(6 856 050)	-13%
Water Services Authority Contribution	8 550 292	8 550 291	1	0%
Rental of Facilities and Equipment	1 583 091	2 139 960	(556 869)	-26%
Interest Earned - external investments	327 021	355 300	(28 279)	-8%
Interest Earned - outstanding debtors	793 945	750 000	43 945	6%
Licences and Permits	2 159 272	2 060 000	99 272	5%
Agency Services	1 305 666	1 305 000	666	0%
Other Revenue	1 575 474	2 126 680	(551 206)	-26%
Gain on disposal of Property, Plant & Equipment	51 539	115 000	(63 461)	-55%
Fair Value Adjustments	126 275	-	126 275	100%
	<b>114 356 754</b>	<b>124 609 032</b>	<b>(10 252 278)</b>	<b>-8%</b>
<b>Expenditure by nature</b>				
Employee Related Costs	38 701 890	42 790 192	(4 088 302)	-10%
Remuneration of Councillors	2 454 238	2 635 170	(180 932)	-7%
Debt Impairment	4 014 343	1 998 982	2 015 361	101%
Repairs and Maintenance	3 516 401	4 999 140	(1 482 739)	-30%
Actuarial losses	3 559 374	-	3 559 374	100%
Finance Charges	1 213 181	735 520	477 661	65%
Bulk Purchases	27 394 842	27 652 450	(257 608)	-1%
Grants and Subsidies Paid	-	100 000	(100 000)	-100%
Other Operating Grant Expenditure	3 774 002	3 895 000	(120 998)	-3%
General Expenses	14 285 478	14 361 651	(76 173)	-1%
	<b>98 913 750</b>	<b>99 168 105</b>	<b>(254 355)</b>	<b>0%</b>
<b>Net Surplus for the year</b>	<b>15 443 004</b>	<b>25 440 927</b>	<b>(9 997 923)</b>	<b>-39%</b>

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
<b>39.2 Expenditure by Vote</b>				
Executive & Council	10 367 074	11 158 939	(791 865)	-7%
Planning and Development	1 398 125	1 980 881	(582 756)	-29%
Budget and Treasury	20 206 145	16 749 991	3 456 154	21%
Public Safety	2 927 586	3 112 875	(185 289)	-6%
Road Transport	5 987 039	5 747 295	239 744	4%
Other	165 888	291 219	(125 331)	-43%
Waste Water Management	6 070 606	5 675 275	395 331	7%
Waste Management	8 302 889	9 891 095	(1 588 207)	-16%
Sport and Recreation	3 271 090	3 702 715	(431 626)	-12%
Community and Social Services	2 871 489	2 756 278	115 211	4%
Health	1 508 014	1 782 650	(274 636)	-15%
Housing	972 760	1 098 837	(126 077)	-11%
Water	11 879 155	12 436 653	(557 498)	-4%
Electricity	32 877 679	33 696 077	(818 398)	-2%
Less Interdepartmental Charges	(9 891 787)	(10 912 675)	1 020 888	10%
	<b>98 913 750</b>	<b>99 168 105</b>	<b>(1 275 243)</b>	<b>-1%</b>

Details of material variances

The over expenditure in the budget and treasury department is mainly due to the fact that the municipality did not provide for actuarial losses amounting to R 3 270 947 in the current year.



**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>39.3 Capital expenditure by vote</b>	<b>2011 R (Actual)</b>	<b>2011 R (Budget)</b>	<b>2011 R (Variance)</b>	<b>2011 (%)</b>
Executive & Council	356 987	387 006	(30 019)	-8%
Planning and Development	2 365	40 000	(37 635)	-94%
Budget and Treasury	533 625	2 850 000	(2 316 375)	-81%
Public Safety	2 393	527 200	(524 807)	-100%
Road Transport	9 497 336	12 460 416	(2 963 079)	-24%
Waste Management	341 061	247 850	93 211	38%
Sport and Recreation	2 320 997	1 367 135	953 862	70%
Community and Social Services	21 674	82 506	(60 832)	-74%
Health	7 161	8 200	(1 039)	-13%
Housing	43 572	100 000	(56 428)	-56%
Electricity	8 442 761	9 694 050	(1 251 289)	-13%
	<b>21 569 932</b>	<b>27 764 363</b>	<b>(6 194 431)</b>	<b>-22%</b>

<b>40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>	<b>2010 R</b>	<b>2009 R</b>
<b>40.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	17 479 479	9 138 933
Unspent grant funding utilised to fund operating expenditure - refer Note 37	8 617 302	4 921 801
Unauthorised expenditure current year - capital	1 047 073	48 576
Unauthorised expenditure current year - operating	4 206 439	3 370 169
Approved by Council or condoned	(17 479 479)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<b>13 870 814</b>	<b>17 479 479</b>

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

<b>40.2 Fruitless and wasteful expenditure</b>	<b>2010 R</b>	<b>2009 R</b>
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	267 437	203 492
Fruitless and wasteful expenditure current year	13 945	63 944
Condoned or written off by Council	(267 437)	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<b>13 945</b>	<b>267 437</b>

<b>Incident</b>	<b>Disciplinary steps/criminal proceedings</b>
<i>Interest paid on late payment</i>	<i>None</i>

<b>40.3 Irregular expenditure</b>	<b>2010 R</b>	<b>2009 R</b>
None		
<b>40.4 Material Losses</b>		
<b>Electricity distribution losses</b>		
Units purchased (Kwh)	63 445 572	62 214 144
Units sold (Kwh)	54 070 426	58 571 434
Units lost during distribution (Kwh)	9 375 146	3 642 710
Percentage lost during distribution	14.78%	5.86%
<b>Water distribution losses</b>		
Kilo Litres Purified	3 584 336	-
Kilo Litres Sold	2 169 216	-
Kilo Litres Lost in distribution	1 415 120	-
Percentage lost during distribution	39.48%	0.00%

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NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>41.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS</b>		
Council subscriptions	177 096	171 915
Amount paid - current year	(177 096)	(171 915)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>41.2 Audit fees - [MFMA 125 (1)(b)]</b>		
Opening balance	152 164	-
Current year audit fee	1 906 562	1 601 502
External Audit - Auditor-General	1 517 417	1 362 094
Internal Audit	363 512	211 008
Audit Committee	25 633	28 401
Amount paid - current year	(2 058 726)	(1 449 338)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>152 164</b>
<b>41.3 VAT - [MFMA 125 (1)(b)]</b>		
Opening balance	116 416	1 838 722
Amounts received - current year	(3 285 056)	(3 539 556)
Amounts received - previous years	(244 241)	(1 882 508)
Amounts claimed - current year	4 061 743	3 655 972
Amounts paid - previous years	127 826	43 786
Amounts payable - current year	(391 993)	-
Amounts paid - current year	391 993	-
<b>Closing balance</b>	<b>776 686</b>	<b>116 416</b>
Vat in suspense due to cash basis of accounting	(1 208 381)	319 516
VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.		
All VAT returns have been submitted by the due date throughout the year.		
Refer to note 9 for further disclosure regarding the balances receivable from and payable to SARS		
<b>41.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Current year payroll deductions and Council Contributions	4 727 535	4 086 588
Amount paid - current year	(4 727 535)	(4 086 588)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>41.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Current year payroll deductions and Council Contributions	8 223 333	7 433 087
Amount paid - current year	(8 223 333)	(7 433 087)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>
<b>41.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]</b>		
The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2011:		
	<b>Outstanding more than 90 days</b>	<b>Outstanding more than 90 days</b>
TE Gaba-Schoeman	-	1 521
	<b>-</b>	<b>1 521</b>

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

41.7 **Non-Compliance with Supply Chain Management Regulations**

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

None

42 **CAPITAL COMMITMENTS**

**Commitments in respect of capital expenditure:**

Approved and contracted for:

Infrastructure

**Total**

This expenditure will be financed from:

Government Grants

	2011 R	2010 R
	11 159 828	10 624 328
	11 159 828	10 624 328
	11 159 828	10 624 328
	11 159 828	10 624 328
	11 159 828	10 624 328

43 **FINANCIAL RISK MANAGEMENT**

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

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

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

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

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

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

1% (2010 - 0.5%) Increase in interest rates	(46 610)	(33 462)
0.5% (2010 - 0.5%) Decrease in interest rates	23 305	33 462

**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**(d) Credit Risk**

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

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

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All services are payable within 30 days from invoice date. Refer to note 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables, the carrying value disclosed in note 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

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

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

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

	<b>2011</b>	<b>2010</b>
	<b>R</b>	<b>R</b>
Receivables (Exchange and Non-Exchange)	9 838 312	14 828 451
Cash and Cash Equivalents	630 182	223 685
Non-Current Investments	627 431	580 999
Unpaid conditional grants and subsidies	1 277 086	1 875 830
	<b>12 373 011</b>	<b>17 508 965</b>

**(e) Liquidity Risk**

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

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

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

MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2011</b>				
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	2 632 474
Capital repayments	181 863	824 298	1 287 971	2 224 430
Interest	223 697	797 938	739 825	408 044
Long Term liabilities - Finance Leases	670 200	223 400	-	-
Capital repayments	558 663	213 873	-	-
Interest	111 537	9 527	-	-
Long Term liabilities - Hire Purchases	564 131	1 537 363	9 825	-
Capital repayments	418 546	1 269 745	9 745	-
Interest	145 586	267 617	80	-
Trade and Other Payables	3 673 862	-	-	-
Unspent conditional government grants and receipts	8 617 302	-	-	-
	<u>13 931 054</u>	<u>3 382 999</u>	<u>2 037 621</u>	<u>2 632 474</u>
<b>2010</b>				
Long Term liabilities - Annuity Loans	405 559	1 622 236	2 027 795	3 038 033
Capital repayments	173 099	784 579	1 225 909	2 508 074
Interest	232 460	837 657	801 886	529 959
Long Term liabilities - Finance Leases	670 200	893 600	-	-
Capital repayments	452 788	772 535	-	-
Interest	217 412	121 065	-	-
Long Term liabilities - Hire Purchases	346 813	171 626	-	-
Capital repayments	314 408	166 573	-	-
Interest	32 405	5 053	-	-
Trade and Other Payables	10 001 935	-	-	-
Unspent conditional government grants and receipts	3 704 335	-	-	-
	<u>15 128 843</u>	<u>2 687 462</u>	<u>2 027 795</u>	<u>3 038 033</u>

2011 R                      2010 R

44 FINANCIAL INSTRUMENTS

In accordance with the principles of GRAP 104 the financial instruments of the municipality are classified as follows:

44.1 Financial Assets	Classification		
<b>Investments</b>			
Fixed Deposits	At Amortised cost	627 431	580 999
<b>Consumer Debtors</b>			
Receivables from exchange transactions	At Amortised cost	9 228 561	12 844 237
Receivables from non-exchange transactions	At Amortised cost	609 751	1 984 214
<b>Unpaid Conditional Grants and Receipts</b>			
Other Spheres of Government	At Amortised cost	1 277 086	1 875 830
<b>Short-term Investment Deposits</b>			
Call Deposits	At Amortised cost	535 782	142 913
<b>Bank Balances and Cash</b>			
Bank Balances	At Amortised cost	88 848	76 720
Cash Floats and Advances	At Amortised cost	5 552	4 052
		<u>12 373 011</u>	<u>17 508 965</u>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
At Amortised cost		<u>12 373 011</u>	<u>17 508 965</u>

**MALETSWAI MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>44.2</b>	<b>Financial Liability</b>	<b>Classification</b>	<b>2011 R</b>	<b>2010 R</b>
	<b>Long-term Liabilities</b>			
	Annuity Loans	At amortised cost	4 518 562	4 691 661
	Hire Purchase	At amortised cost	1 698 036	480 981
	Capitalised Lease Liability	At amortised cost	772 535	1 225 324
	<b>Payables from Exchange transactions</b>			
	Trade creditors	At amortised cost	2 697 513	3 036 619
	Accrued Interest	At amortised cost	63 945	58 485
	Other Creditors	At amortised cost	569 589	5 211 762
	Deposits: Other	At amortised cost	342 815	1 695 069
	<b>Unspent Conditional Grants and Receipts</b>			
	Other Spheres of Government	At amortised cost	8 617 302	3 704 335
	<b>Cash and Cash Equivalents</b>			
	Bank Overdraft	At amortised cost	731 684	3 029 190
	<b>Current Portion of Long-term Liabilities</b>			
	Annuity Loans	At amortised cost	181 863	173 099
	Hire Purchase	At amortised cost	418 546	313 906
	Capitalised Lease Liability	At amortised cost	558 663	452 788
			<b>21 171 052</b>	<b>24 073 220</b>
	<b>SUMMARY OF FINANCIAL LIABILITY</b>			
	At amortised cost		<b>21 171 052</b>	<b>24 073 220</b>

**45 EVENTS AFTER THE REPORTING DATE**

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

**46 IN-KIND DONATIONS AND ASSISTANCE**

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

**47 PRIVATE PUBLIC PARTNERSHIPS**

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

**48 CONTINGENT LIABILITY**

Total contingent liabilities	-	218 399
AVBOB funeral services - Damages instituted against the municipality	-	218 399
	-	218 399

**49 RELATED PARTIES**

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

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

**49.1 Compensation of key management personnel**

The compensation of key management personnel is set out in note 26 to the Annual Financial Statements.

**49.2 Other related party transactions**

The following councillors were members of entities which was listed on the approved supplier database

<u>Name</u>	<u>Company</u>
Councillor Margret Berieta Mtshingana	Sipheamandla Construction
Councillor Nora Ngubo	SSPP Trading

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

50

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

**50.1 GRAP 19 - Provisions, contingent liabilities and contingent Assets**

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

The municipality is currently in a process of measuring all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

**50.2 GRAP 100 - Non-current assets and discontinued operations**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not measured in terms of the transitional provisions relating to those standards.

**50.3 GRAP 16 - Investment Properties**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

The municipality is currently in the process of measuring all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Land and Buildings.

2010  
R

16 270 481

**50.4 GRAP 102 - Intangible Assets**

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

- \* Computer Software;
- \* Intangible assets financed by way of finance leases;
- \* Intangible assets transferred as a result of the transfer of functions; and
- \* Servitudes.

The municipality is currently in the process of measuring all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2012 financial statements. It is possible that certain intangible assets are currently being measured as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;

2010

37 346

**50.5 GRAP 12 - Inventories**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale  
Water

The municipality is currently in the process of measuring all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2012 financial statements.

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MALETSWAI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Disposals R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	<b>44 888 568</b>	<b>2 120 348</b>	<b>-</b>	<b>47 008 916</b>	<b>47 008 916</b>
Land and Buildings	44 888 568	2 120 348	-	47 008 916	47 008 916
<b>Infrastructure</b>	<b>66 920 574</b>	<b>17 035 914</b>	<b>-</b>	<b>83 956 488</b>	<b>83 956 488</b>
Roads and Stormwater	31 986 338	8 818 466	-	40 804 804	40 804 804
Electricity	34 814 216	8 217 447	-	43 031 663	43 031 663
Other	120 021	-	-	120 021	120 021
<b>Community Assets</b>	<b>-</b>	<b>222 000</b>	<b>-</b>	<b>222 000</b>	<b>222 000</b>
Recreation Grounds	-	222 000	-	222 000	222 000
<b>Lease Assets</b>	<b>2 239 871</b>	<b>-</b>	<b>-</b>	<b>2 239 871</b>	<b>2 239 871</b>
Office Equipment	2 239 871	-	-	2 239 871	2 239 871
<b>Other Assets</b>	<b>7 831 908</b>	<b>1 967 586</b>	<b>(10 983)</b>	<b>9 788 511</b>	<b>9 788 511</b>
Office Equipment	1 746 275	444 360	(1 132)	2 189 503	2 189 503
Motor vehicles and implements	5 913 307	1 380 170	-	7 293 477	7 293 477
Tools and equipment	172 326	143 056	(9 851)	305 531	305 531
	<b>121 880 921</b>	<b>21 345 848</b>	<b>(10 983)</b>	<b>143 215 786</b>	<b>143 215 786</b>

30 JUNE 2010

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Disposals R	Closing Balance R	Carrying Value R
<b>Land and Buildings</b>	<b>43 796 843</b>	<b>1 091 729</b>	<b>(4)</b>	<b>44 888 568</b>	<b>44 888 568</b>
Balance previously reported	17 877 856	1 091 729	(4)	18 969 580	18 969 580
Correction of error - Refer to note 33.01	25 918 988	-	-	25 918 988	25 918 988
<b>Infrastructure</b>	<b>51 859 468</b>	<b>15 061 106</b>	<b>-</b>	<b>66 920 574</b>	<b>66 920 574</b>
Roads and Stormwater	25 649 264	6 337 074	-	31 986 338	31 986 338
Balance previously reported	25 649 265	6 337 074	-	31 986 339	31 986 339
Correction of error - Refer to note 33.01	(1)	-	-	(1)	(1)
Electricity	26 090 184	8 724 032	-	34 814 216	34 814 216
Balance previously reported	27 065 053	8 724 032	-	35 789 085	35 789 085
Correction of error - Refer to note 33.01	(974 869)	-	-	(974 869)	(974 869)
Water	-	-	-	-	-
Balance previously reported	1	-	-	1	1
Correction of error - Refer to note 33.01	(1)	-	-	(1)	(1)
Housing	-	-	-	-	-
Balance previously reported	12 346 612	-	-	12 346 612	12 346 612
Correction of error - Refer to note 33.01	(12 346 612)	-	-	(12 346 612)	(12 346 612)
Other	120 021	-	-	120 021	120 021
Balance previously reported	-	-	-	-	-
Correction of error - Refer to note 33.01	120 021	-	-	120 021	120 021
<b>Lease Assets</b>	<b>2 239 871</b>	<b>-</b>	<b>-</b>	<b>2 239 871</b>	<b>2 239 871</b>
Office Equipment	2 239 871	-	-	2 239 871	2 239 871
<b>Other Assets</b>	<b>7 155 144</b>	<b>676 764</b>	<b>-</b>	<b>7 831 908</b>	<b>7 831 908</b>
Office Equipment	1 121 826	624 449	-	1 746 275	1 746 275
Balance previously reported	3 179 883	633 691	-	3 813 573	3 813 573
Correction of error - Refer to note 33.01	(2 058 056)	(9 242)	-	(2 067 298)	(2 067 298)
Motor vehicles and implements	5 913 307	-	-	5 913 307	5 913 307
Balance previously reported	6 024 674	-	-	6 024 674	6 024 674
Correction of error - Refer to note 33.01	(111 367)	-	-	(111 367)	(111 367)
Spa	-	-	-	-	-
Balance previously reported	21 644 794	-	-	21 644 794	21 644 794
Correction of error - Refer to note 33.01	(21 644 794)	-	-	(21 644 794)	(21 644 794)
Tools and equipment	120 011	52 315	-	172 326	172 326
Balance previously reported	664 804	52 315	-	717 119	717 119
Correction of error - Refer to note 33.01	(544 793)	-	-	(544 793)	(544 793)
	<b>105 051 327</b>	<b>16 829 598</b>	<b>(4)</b>	<b>121 880 921</b>	<b>121 880 921</b>

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

10 PROPERTY, PLANT AND EQUIPMENT

GRAP 17 - Property, Plant and Equipment

No property, plant and equipment is used as security for long term liabilities, except assets acquired in terms of a finance lease- or hire purchase agreement as disclosed in Appendix A to the financial statements

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

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

The municipality is currently in a process of measuring all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2012 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets.

Since the previous reporting date the following adjustment were made to measure PPE in accordance with GRAP 17 and restated retrospectively:

	<b>2010</b>
Land and buildings	<u>(7 050 734)</u>

The municipality therefore utilised the transitional provision in the following areas:

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

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

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
<b>ANNUITY LOANS</b>							
DBSA	5.00%	102312 Maletswai Roads Network (TIP)	30/09/2027	4 691 661	-	173 099	4 518 562
<b>Total Annuity Loans</b>				<b>4 691 661</b>	<b>-</b>	<b>173 099</b>	<b>4 518 562</b>
<b>HIRED PURCHASES</b>							
ABSA (Nissan X-Trail)	10.32%	70836411	15/05/2011	49 340	-	49 340	-
ABSA (Mercedes Refuse Truck)	9.03%	73442180	15/01/2012	431 641	-	265 068	166 573
ABSA (TATA Truck)	10.00%	81205030	05/08/2016	-	460 486	-	460 486
ABSA (Isuzu KB200I LWB)	10.00%	80693198	15/02/2016	-	146 150	7 411	138 739
ABSA (2011 Rear Tipping Tractor)	10.00%	80693759	15/02/2016	-	76 569	3 883	72 687
ABSA (2010 Vibrating Roller)	10.00%	80693899	15/02/2016	-	137 060	6 950	130 110
ABSA (Isuzu KB200I Fleetside)	10.00%	80698530	15/02/2016	-	186 204	9 442	176 762
ABSA (Sonalinka Tractor)	10.00%	80701808	15/02/2016	-	209 580	10 627	198 953
ABSA (Mazda CX 7)	10.00%	80993701	01/05/2016	-	357 135	3 409	353 726
<b>Total Hire Purchases</b>				<b>480 981</b>	<b>1 573 184</b>	<b>356 129</b>	<b>1 698 036</b>
<b>LEASE LIABILITY</b>							
ITEC Rental	21.20%		01/11/2012	1 225 324	-	452 788	772 535
<b>Total Lease Liabilities</b>				<b>1 225 324</b>	<b>-</b>	<b>452 788</b>	<b>772 535</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>6 397 966</b>	<b>1 573 184</b>	<b>982 016</b>	<b>6 989 133</b>

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

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
1 294 000	(9 421 424)	(8 127 424)	Council	1 344 515	(8 024 709)	(6 680 194)
410 551	(2 046 958)	(1 636 407)	Municipal Manager	302 601	(2 342 365)	(2 039 764)
135 000	(455 648)	(320 648)	Integrated Development Planning	50 000	(339 181)	(289 181)
-	(254 561)	(254 561)	Special Program Unit	-	(699 455)	(699 455)
957 219	(5 313 566)	(4 356 347)	Corporate Services	1 818 407	(5 659 342)	(3 840 934)
3 201 035	(2 304 744)	896 291	Traffic	3 734 211	(2 927 586)	806 625
8 889	(33 382)	(24 493)	Aerodrome	6 326	(55 965)	(49 639)
202 176	(17 182)	184 994	Commonage	205 273	(11 776)	193 497
16 751 361	(9 868 316)	6 883 045	Financial Services	15 758 932	(13 032 364)	2 726 568
7 425 324	-	7 425 324	Assessment Rates	8 455 858	-	8 455 858
570 801	(2 627 977)	(2 057 176)	Technical Services	1 163 692	(1 886 816)	(723 124)
-	(2 478)	(2 478)	Mechanical Workshop	-	(3 342)	(3 342)
713 561	(1 556 852)	(843 291)	Administration and Land Affairs	1 073 558	(1 514 439)	(440 881)
7 697 591	(3 774 208)	3 923 383	Public Works	10 654 176	(4 096 881)	6 557 296
4 414 800	(4 884 764)	(469 964)	Refuse Removal	5 180 225	(4 941 248)	238 977
-	(2 279 477)	(2 279 477)	Parks and Public Places	61 590	(2 599 286)	(2 537 696)
963	(858 200)	(857 237)	Cleansing	1 059	(762 354)	(761 295)
310 854	(1 071 119)	(760 265)	Community Services	227 581	(1 522 779)	(1 295 198)
2 631 705	(2 404 416)	227 289	Health	1 279 275	(1 508 014)	(228 739)
-	(1 472)	(1 472)	Local Economic Development	101 834	(359 489)	(257 655)
129 116	(86 865)	42 251	Cemetery	112 703	(54 942)	57 761
15 419	(31 564)	(16 145)	Sport Grounds	17 851	(22 794)	(4 943)
244 674	(862 213)	(617 539)	Libraries	860 469	(1 102 225)	(241 756)
932 790	(3 387 264)	(2 454 474)	Aliwal Spa	2 912 659	(3 248 296)	(335 636)
21 076	(130 482)	(109 407)	Conference Centre	155 318	(184 168)	(28 850)
315 792	(23 470)	292 321	Nature Reserve	258 144	(98 147)	159 998
-	(18 630)	(18 630)	Museum	-	(7 376)	(7 376)
625 218	(1 522 842)	(897 624)	Housing	3 400	(972 760)	(969 360)
42 666 432	(26 782 810)	15 883 622	Electricity	52 909 897	(32 877 679)	20 032 218
7 142 768	(7 155 776)	(13 008)	Water	10 363 221	(11 879 155)	(1 515 934)
100 553 763	(90 918 139)	9 635 624	Sub Total	124 248 542	(108 805 537)	15 443 004
(3 413 281)	3 413 281	-	Less Inter-Departmental Charges	(9 891 787)	9 891 787	-
<b>97 140 483</b>	<b>(87 504 858)</b>	<b>9 635 624</b>	<b>Total</b>	<b>114 356 754</b>	<b>(98 913 750)</b>	<b>15 443 004</b>

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

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
1 704 551	(11 468 383)	(9 763 832)	Executive & Council	1 647 116	(10 367 074)	(8 719 958)
135 000	(711 682)	(576 682)	Planning and Development	151 834	(1 398 125)	(1 246 291)
25 847 464	(16 738 734)	9 108 730	Budget and Treasury	27 106 756	(20 206 145)	6 900 611
3 201 035	(2 304 744)	896 291	Public Safety	3 734 211	(2 927 586)	806 625
8 268 391	(6 404 663)	1 863 728	Road Transport	11 817 868	(5 987 039)	5 830 829
526 856	(74 034)	452 822	Other	469 743	(165 888)	303 856
4 415 763	(8 022 441)	(3 606 677)	Waste Management	5 242 874	(8 302 889)	(3 060 015)
948 209	(3 418 828)	(2 470 619)	Sport and Recreation	2 930 510	(3 271 090)	(340 579)
705 720	(2 169 310)	(1 463 590)	Community and Social Services	1 356 071	(2 871 489)	(1 515 418)
2 631 705	(2 404 416)	227 289	Health	1 279 275	(1 508 014)	(228 739)
625 218	(1 522 842)	(897 624)	Housing	3 400	(972 760)	(969 360)
42 666 432	(26 782 810)	15 883 622	Electricity	52 909 897	(32 877 679)	20 032 218
100 553 763	(90 918 139)	9 635 624	Sub Total	124 248 542	(108 805 537)	15 443 004
(3 413 281)	3 413 281	-	Less Inter-Departmental Charges	(9 891 787)	9 891 787	-
<b>97 140 483</b>	<b>(87 504 858)</b>	<b>9 635 624</b>	<b>Total</b>	<b>114 356 754</b>	<b>(98 913 750)</b>	<b>15 443 004</b>



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

Grant Description	Balance 1 JULY 2010	Correction of error	Restated balance 01-Jul-09	Grants Received	Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2011
	R	R	R	R	R	R	R	R
<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>								
<b>National Government Grants</b>								
Equitable Share	-	-	-	17 619 752	-	17 619 752	-	-
Skills Development Grant	-	-	-	130 346	-	130 346	-	-
Finance Management Act.	39 041	-	39 041	1 250 000	111 687	1 300 522	276 138	(175 932)
DPLG - MSIG Funds	-	-	-	750 000	(111 687)	638 313	-	-
MIG Funds	(331 777)	-	(331 777)	10 487 000	-	-	10 575 245	(420 022)
DME Electricity Reticulation Fund	(1 274 258)	-	(1 274 258)	10 000 000	-	-	9 137 079	(411 337)
	(1 566 994)	-	(1 566 994)	40 237 098	-	19 688 934	19 988 462	(1 007 291)
<b>Provincial Government Grants</b>								
Health Subsidy	-	-	-	1 279 275	-	1 279 275	-	-
Spatial Development Plan	-	-	-	400 000	-	-	-	400 000
1218 Link Houses	103 481	168 136	271 617	-	-	-	-	271 617
78 Sites Services	(18 306)	-	(18 306)	-	-	-	-	(18 306)
78 Sites Survey	(2 750)	2 700	(50)	-	-	-	-	(50)
330 Houses	112 634	90 556	203 189	-	-	3 400	-	199 789
Area 5 Services	63 514	-	63 514	-	-	-	-	63 514
Hilton 89 Houses	25 102	-	25 102	-	-	-	-	25 102
Area 13 - Fund	254 064	-	254 064	-	-	-	-	254 064
Aliwal Noord 100 Houses Fund	(291 349)	39 910	(251 439)	-	-	-	-	(251 439)
318 Houses Jamestown	373 367	-	373 367	-	-	-	-	373 367
Jamestown 858 Houses Planning	6 090	-	6 090	-	-	-	-	6 090
Jamestown 858 Houses	639 778	-	639 778	-	-	-	-	639 778
838 Wonings Fonds	690 403	-	690 403	-	-	-	-	690 403
DEAT - Upgrading of Spa	-	-	-	4 905 035	-	-	2 354 667	2 550 368
DEAT - Waste Recycling Project	-	-	-	2 000 000	-	48 834	-	1 951 166
MSP Organogram & PMS	36 350	(36 350)	-	-	-	-	-	-
Land Survey Management	-	-	-	467 500	-	-	-	467 500
Management Support Fund	1 429 383	(1 429 383)	-	-	-	-	-	-
LED Garden Project Jamestown	115 828	-	115 828	-	-	-	-	115 828
MSP IT Funds	10 424	(10 424)	-	-	-	-	-	-
	3 548 013	(1 174 856)	2 373 157	9 051 810	-	1 331 509	2 354 667	7 738 792
<b>District Municipality Grants</b>								
IDP	-	-	-	50 000	-	50 000	-	-
LED	-	-	-	53 000	-	53 000	-	-
Johanna Park Fencing	-	-	-	60 000	-	-	60 000	-
Ukhahlamba Library Equipment Fund	1 013 899	-	1 013 899	440 000	-	853 629	-	600 270
	1 013 899	-	1 013 899	603 000	-	956 629	60 000	600 270
<b>Other Grant Providers</b>								
Van Coller Grave	8 443	-	8 443	-	-	-	-	8 443
	8 443	-	8 443	-	-	-	-	8 443
<b>Total</b>	<b>3 003 361</b>	<b>(1 174 856)</b>	<b>1 828 505</b>	<b>49 891 909</b>	<b>-</b>	<b>21 977 071</b>	<b>22 403 129</b>	<b>7 340 216</b>