
O.R. TAMBO DISTRICT MUNICIPALITY MUNICIPALITY



**O.R. TAMBO
DISTRICT MUNICIPALITY**

FINANCIAL STATEMENTS

for the period ended

30 June 2011

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 68, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

T.T.Nogaga
Acting Municipal Manager

**O. R. TAMBO DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS
For the period ended 31 March 2011**

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Financial Statements

for

O.R. TAMBO DISTRICT MUNICIPALITY

for the period ended 30 June: **2011**

Province: Eastern Cape

AFS rounding: **R (i.e. only cents)**

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O.R. TAMBO DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS
for the period ended 30 June 2011

General information

Outgoing Councillors

Members of the Council

		Date of commencement	Date of resignation
Mrs. R.Z. Capa	Executive Mayor	22-Mar-06	07-Jun-11
Ms. N. Madalane	Speaker	22-Mar-06	07-Jun-11
Mr. Z. Mzamane	Council Chief Whip	22-Mar-06	07-Jun-11
MMC L.S. Nduku	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC E.N. Diko	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC Z. Ndlumbini	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC N.B. Tobo	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC N. Meth	Member of the Mayoral Committee	10-Sep-08	07-Jun-11
MMC M. Makhedama	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC N. Malunga	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC J.P. Mdingi	Member of the Mayoral Committee	22-Mar-06	07-Jun-11
MMC D.J. Myolwa	Member of the Mayoral Committee	22-Mar-06	07-Jun-11

The Municipal Council (outside Mayoral Committee)

Betele S.	22-Mar-06	07-Jun-11	
Dambuza M.B.	22-Mar-06	07-Jun-11	
Diniso M.	22-Mar-06	07-Jun-11	
Dudumayo B.	22-Mar-06	07-Jun-11	
Gexu N.	22-Mar-06	07-Jun-11	
Gwadiso J.P.	22-Mar-06	31-Jul-10	
Hlabiso L.	22-Mar-06	07-Jun-11	
Jwacu N.	22-Mar-06	07-Jun-11	
Khonza N.	29-May-09	07-Jun-11	
Luvela T.	22-Mar-06	07-Jun-11	
Madubedube G.N.	05-May-09	07-Jun-11	
Mamve N.	22-Mar-06	07-Jun-11	
Mandita K.	22-Mar-06	07-Jun-11	
Mantanga P.N.	22-Mar-06	07-Jun-11	
Marini K.	22-Mar-06	07-Jun-11	
Matomane R.N.	22-Mar-06	07-Jun-11	
Mbelu N.	31-Mar-09	07-Jun-11	
Mngoma N.	22-Mar-06	07-Jun-11	
Moyakhe N.S.	22-Mar-06	07-Jun-11	
Mpatane X.	29-May-09	07-Jun-11	
Mtshengu A.	22-Mar-06	07-Jun-11	
Mvanyashe M.N.	22-Mar-06	07-Jun-11	
Ndabeni M.	22-Mar-06	07-Jun-11	
Ndabeni S.	22-Mar-06	07-Jun-11	
Ndamase P.	22-Mar-06	31-Jan-11	
Ndlobongela B.	22-Mar-06	07-Jun-11	
Ndude L.M.	22-Mar-06	07-Jun-11	
Nkosiyane N.L.	05-May-09	07-Jun-11	
Nyengane S.	05-May-09	07-Jun-11	
Qhosha B.	22-Mar-06	25-Jan-11	(Deceased)
Qhuba W.S.	22-Mar-06	07-Jun-11	
Sigcau N.E.	22-Mar-06	07-Jun-11	

O.R. TAMBO DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS
for the period ended 30 June 2011

General information (continued)

Outgoing Councillors

<u>Members of the Council</u>	Date of commencement	Date of resignation
Sigcau T.T.	22-Mar-06	07-Jun-11
Soldati N.	05-May-09	07-Jun-11
Sotshangane S.M.	22-Mar-06	07-Jun-11
Tayi H.S.	22-Mar-06	07-Jun-11
Thiyeka N.	22-Mar-06	07-Jun-11
Tshiceka N.	22-Mar-06	07-Jun-11
Tshobonga N.	22-Mar-06	07-Jun-11
Tshota L.M.	30-Apr-10	07-Jun-11
Tshotsho M.	22-Mar-06	07-Jun-11
Tsipa K.W.	22-Mar-06	07-Jun-11
Wade B.J.	22-Mar-06	07-Jun-11
Yalo Z.	22-Mar-06	07-Jun-11

O.R. TAMBO DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS
for the period ended 30 June 2011

General information (continued)

Incoming Councillors

Members of the Council

Date of Appointment

Meth N.	Speaker	07-Jun-11	Re-appointed
Myolwa D.J	Executive Mayor	07-Jun-11	Re-appointed
Ntobongwana N.	Chief Whip	07-Jun-11	
Soguntuza N.	Member of the Mayoral Committee	07-Jun-11	
Mambila L.N	Member of the Mayoral Committee	07-Jun-11	
Nogumla R.Z	Member of the Mayoral Committee	07-Jun-11	
Hlazo H.T	Member of the Mayoral Committee	07-Jun-11	
Mbede B	Member of the Mayoral Committee	07-Jun-11	
Nkani B.J	Member of the Mayoral Committee	07-Jun-11	
Mlamli S	Member of the Mayoral Committee	07-Jun-11	
Ngozi W	Member of the Mayoral Committee	07-Jun-11	
Dyule N.W	Member of the Mayoral Committee	07-Jun-11	
Socikwa M	Member of the Mayoral Committee	07-Jun-11	

The Municipal Council (outside Mayoral Committee)

Betel S.		07-Jun-11	Re-appointed
Bunzana M		07-Jun-11	
Capa N.		07-Jun-11	
Dambuza M.B.		07-Jun-11	Re-appointed
Dangala V.		07-Jun-11	
Dawedi A.M.		07-Jun-11	
Dudumayo B.		07-Jun-11	Re-appointed
Dyule N.W.		07-Jun-11	
Gogo M.		07-Jun-11	
Gwadiso V.O.		07-Jun-11	
Hibhane Z.		07-Jun-11	
Hlazo H.T.		07-Jun-11	
Khotsholo B.		07-Jun-11	
Kotana M.		07-Jun-11	
Khupelo T.E.		07-Jun-11	
Magaya H.		07-Jun-11	
Mandita K.		07-Jun-11	
Mamve N.N.		07-Jun-11	Re-appointed
Makhedama M.		07-Jun-11	Re-appointed
Malangeni L.M.		07-Jun-11	
Mambila L.N.		07-Jun-11	
Maqabuka Z.V.		07-Jun-11	
Mathe M.S.		07-Jun-11	
Matomane N.R.		07-Jun-11	Re-appointed
Mazuza C.S.		07-Jun-11	
Mbede B.		07-Jun-11	
Mbotshwa N.		07-Jun-11	
Meth N.		07-Jun-11	
Mpemnyama N.		07-Jun-11	

Mlamli	S.	07-Jun-11	
Mqingwana	N.E.	07-Jun-11	
Mtwa	M.	07-Jun-11	
Mvanyashe	M.N.	07-Jun-11	Re-appointed
Mnyanda	V.	07-Jun-11	

**O.R. TAMBO DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS
for the period ended 30 June 2011**

General information (continued)

Incoming Councilors

<u>Members of the Council</u>		<u>Date of Appointment</u>	
Myolwa	D.J.	07-Jun-11	
Mziba	L.	07-Jun-11	
Mvamveki	N.	07-Jun-11	
Ngozi	W.	07-Jun-11	
Ndlobongela	B.	07-Jun-11	Re-appointed
Ndlela		07-Jun-11	
Ndude	L.M.	07-Jun-11	Re-appointed
Ndzwayiba	W.M.	07-Jun-11	
Nkani	B.J.	07-Jun-11	
Nkungu	M.	07-Jun-11	
Njemla	N.S.	07-Jun-11	Re-appointed
Ngabayena	M.	07-Jun-11	
Nogumla	R.Z.	07-Jun-11	
Ntshoyi	N.	07-Jun-11	
Ntshuba	V.W.	07-Jun-11	
Ntobongwana	N.	07-Jun-11	
Pepping	P.N.	07-Jun-11	
Ruleni	S.	07-Jun-11	
Sigcau	M.	07-Jun-11	
Sikhonkothelo	N.	07-Jun-11	
Socikwa	M.C.	07-Jun-11	
Soguntuza	N.	07-Jun-11	
Thwatshuka	D.	07-Jun-11	
Thiyeka	N.	07-Jun-11	Re-appointed
Xangayi	C.T.	07-Jun-11	
Zweni	R.M.	07-Jun-11	

Municipal Manager

T.T.Nogaga

Chief Financial Officer

M. E. Moleko

Grading of Local Authority

4

Auditors

Auditor-General

Bankers

First National Bank

O.R. TAMBO DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS
for the period ended 30 June 2011

General information (continued)

Registered Office: O. R. Tambo House

Physical address: Nelson Mandela Drive
Myezo Park
Mthatha
5099

Postal address: **P/Bag X 6043**
Mthatha
5099

Telephone number: (047) 501 6400

Fax number: (047) 532 4166

E-mail address: ayanda@ortambodm.org.za

O.R. TAMBO DISTRICT MUNICIPALITY
FINANCIAL STATEMENTS
for the period ended 30 June 2011

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 55, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Acting Municipal Manager

T.T.Nogaga

DATE:

**O. R. TAMBO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2011**

	Note	30 June 2011 R	30 June 2010 R
ASSETS			
Current Assets			
		215 032 461	109 917 421
Cash and cash equivalents	5	146 955 781	64 979 050
Trade receivables from exchange transactions	6	16 710 240	11 903 678
Obligations under transfer arrangements		-	7 485 104
Inventories	7	13 080 243	11 774 893
Other receivables from exchange transactions	8	2 736 324	1 333 130
VAT receivable	14	35 549 873	12 441 566
		3 874 163 116	3 557 297 290
Non-Current Assets			
Intangible assets	9	1 571 952	3 784 461
Investment property	44	2 200 000	2 200 000
Infrastructure, property, plant and equipment	10	3 860 343 087	3 541 519 583
Biological assets	11	10 048 077	9 793 246
		4 089 195 577	3 667 214 711
Total Assets			
LIABILITIES			
Current Liabilities			
		201 421 463	237 171 243
Trade and other payables from exchange transactions	12	141 668 981	236 701 065
Consumer deposits	13	678 997	184 297
Obligations under transfer arrangements	15	58 882 190	-
Finance lease liability	16	191 295	285 881
Non-current Liabilities			
		548 922	991 512
Finance lease liability	16	548 922	991 512
		201 970 385	238 162 755
Total liabilities			
NET ASSETS			
		#VALUE!	3 429 051 956
Reserves		102 621 814	102 621 524
Accumulated surplus		#VALUE!	3 326 430 432
		#VALUE!	3 429 051 956
Total net assets			

**O. R. TAMBO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the period ended 30 June 2011**

	Note	30 Jun 2011 R	30 Jun 2010 R
REVENUE			
Revenue from exchange transactions		#VALUE!	88 971 927
Service charges	17	#VALUE!	88 971 927
Revenue from non-exchange transaction		1 008 949 690	910 934 977
Public contributions and donations	20	-	200 000
Government grants & subsidies	19	1 008 949 690	910 734 977
Rental income		36 420	20 866
Other income	20	71 719 443	63 518 091
Finance income- Investment	18	18 669 408	8 373 488
Finance income- Other	18	17 846 655	13 554 135
Total income		#VALUE!	1 085 373 485
EXPENDITURE			
Employee Related Costs	21	179 201 544	136 061 258
Remuneration of councillors	21	8 358 781	7 647 044
Debt impairment		58 112 922	37 335 458
Depreciation and amortisation	22	138 498 691	137 973 864
Impairment loss	29	214 622	4 667 081
Repairs and maintenance		27 739 463	8 290 086
Finance expense	23	91 301	8 727 605
Bulk purchases	24	24 907 983	40 625 668
Contracted services	25	5 678 151	6 020 301
Grants and subsidies paid	26	43 071 724	81 029 342
General expenses	27	#VALUE!	505 045 864
Total expenses		#VALUE!	973 423 571
Gain on sale of assets	28	230 468	508 411
Increase in fair value of biological assets	30	1 846 537	1 288 185
SURPLUS / (DEFICIT) FOR THE YEAR		#VALUE!	113 746 509

**OR TAMBO DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
for the period ended 30 June 2011**

	Asset Financing Fund	Revaluation Reserve	Government Grant Reserve	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets	
	R	R	R	R	R	R	
Balance at 30 June 2010		0	68 329 926	34 291 598	102 621 524	3 326 430 432	3 429 051 956
Prior year adjustments	33	0	-	-	87 477 015	87 477 015	87 477 015
Restated amount as at 30 June 2010		0	68 329 926	34 291 598	102 621 524	3 413 907 447	3 516 528 971
Other movement in reserves		291		291		291	
Surplus on revaluation of property of property, plant and equipment						-	-
Capital grants used to purchase Property Plant and Equipment						-	-
Offsetting of depreciation						-	-
Surplus for the year					#VALUE!	#VALUE!	
		291	68 329 926	34 291 598	102 621 814	#VALUE!	#VALUE!

O R TAMBO DISTRICT MUNICIPALITY
CASH FLOW STATEMENT
for the period ended 30 June 2011

	<u>Note</u>	30 June 2011 R	30 June 2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts:		#VALUE!	914 970 639
Sales of goods and services		#VALUE!	56 938 497
Grants		1 005 453 375	785 931 446
Interest received		36 516 063	8 373 488
Other receipts		49 462 807	63 727 207
Payments:		#VALUE!	(753 481 809)
Employee costs		(183 197 822)	(122 410 721)
Suppliers		#VALUE!	(19 905 808)
Cash generated by / (utilised in) operations	31	#VALUE!	161 488 830
Finance costs		(91 301)	-
Net cash flows from operating activities		#VALUE!	161 488 830
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(299 959 683)	(170 399 290)
Purchase of intangible assets		(27 826)	(275 549)
Purchase of biological assets		-	(168 325)
Proceeds on disposal of biological assets and produce		1 607 552	1 474 758
Proceeds from insurance		-	11 750
Proceeds from bursary		-	90 434
Net cash flows from investing activities		(298 379 957)	(169 266 222)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of capital portion of finance lease		(537 177)	(55 093)
Advances on Consumer deposits		494 700	182 197
Net cash flows from financing activities		(42 477)	127 104
Net decrease in net cash and cash equivalents		#VALUE!	(7 650 288)
Net cash and cash equivalents at beginning of period		64 979 050	72 629 338
Net cash and cash equivalents at end of period	32	146 955 781	64 979 050

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Reporting entity

O.R. Tambo District Municipality ("the municipality") is a local government institution in Mthatha in the Eastern Cape. The address of its registered office, principal place of business and its principal activities are disclosed under "General Information" in the annual report.

2. Significant accounting policies

2.1 Statement of compliance

The annual financial statements have been prepared in accordance with the effective Standards of Generally

Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The annual financial statements were authorised for issue on 31 August 2011.

2.2 Basis of measurement

The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Biological assets are measured at fair value less estimated point-of-sale costs;
- Investment property is measured at fair value.
- Farm land and buildings are carried at revalued amounts

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

The following significant accounting policies had been applied consistently during the current and previous reporting period.

2.3 Going concern assumption

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

2.4 Functional and presentation currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest rand.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies (continued)

2.5 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

2.6 Use of estimates and judgements

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the annual financial statements as well as assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included below.

Accounting estimates and judgements

Key sources of estimation uncertainty

Impairment of trade and other receivables

The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the requirements of IAS 39. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

Allowance for slow moving, damaged and obsolete stock

Management has made estimates of the selling price and direct cost to sell of certain inventory items to calculate the allowance to write stock down to the lower of cost or net realisable value.

Fair value estimation

Buildings and farm land are stated at revalued amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated. Refer to note 10. Investment property is measured at fair value amounts based on valuation techniques and market information. The actual value of these items could differ from those estimated.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

Accounting estimates and judgements (continued)

Biological asset valuations

The fair value less estimated point-of-sale costs used to value biological assets in note 11 requires management to make certain assumptions which are subject to change. The current assumptions are as follows:

- Cattle are valued at the prevailing market rates, as determined by breed, genetic merit and age less point of sale costs.
- Fruit trees are valued by way of on arms length transaction that would have been applied / prevailing in replacing the existing fruit trees with new fruit trees

Critical judgements in applying accounting policies

Depreciation and the carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

Determination of the recoverable amount of cash-generating assets

Where impairment indicators exist, the determination of the recoverable amount of assets or cash generating units require management to make assumptions to determine the fair value less costs to sell. Key assumptions on which management has based its determination of fair values less costs to sell include projected revenues, earnings multiple, capital expenditure and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of the impairment.

Determination of the recoverable service amount of non-cash generating assets

Where impairment indicators exist, the determination of the recoverable service amount of non-cash generating assets requires management to make assumptions to determine the fair value less costs to sell and the value in use based on the depreciated replacement cost approach. Key assumptions include the current replacement cost of non-cash generating assets and assumptions about the age of non-cash generating assets to determine the depreciated replacement cost.

2.7 Infrastructure, property, plant and equipment

Initial recognition and measurement

Items of infrastructure, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for farm land and buildings which, when revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. .

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

The revaluation surplus relating to a specific item of infrastructure, property and equipment is transferred directly to accumulated surplus or deficit when the asset is derecognised.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

2.7 Property, infrastructure and equipment (continued)

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is however debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Farm land

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Subsequent cost

The cost of replacing a part of an item of property, infrastructure and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits or service potential associated with the item will flow to the municipality and the cost or fair value of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, infrastructure and equipment are recognised in surplus or deficit as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation commences when an asset is available for use and ceases at the earlier of the date that the asset is derecognised or classified as held for sale in accordance with GRAP 100 *Non-current assets held for sale and discontinued operations*. A non-current asset or disposal group is not depreciated while it is classified as held for sale.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each part of an item of property, infrastructure and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

2.7 Property, infrastructure and equipment (continued)

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the municipality will obtain ownership by the end of the lease term.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

The useful lives for the current and previous financial year are as follows:

Item	Estimated useful life
Land and buildings	
• Farm land	Not depreciated
• Other land	Not depreciated
• Buildings	30 - 40 years
Infrastructure assets	
• Roads	3 - 67 years
• Water	5 - 15 years
• Sewerage	15 - 50 years
• Storm water drains	5 - 100 years
Other assets	
• Office equipment	3 - 7 years
• Furniture and fittings	7 years
• Motor vehicles	5 - 7 years
• Security systems	5 - 7 years
• Parking area	5 years
• Park homes	15 years
• Infrastructure and equipment	7 - 12 years
• Tools and equipment	10 years
• Emergency equipment	15 years
• Computer equipment	3 - 7 years
Leased	
• Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Assets leased under operating leases, except for property interests held by the municipality as investment property, are not recognised in the statement of financial position.

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2.7 Infrastructure, property and equipment (continued)

Spare parts

Major spare parts and servicing equipment qualify as property, infrastructure 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, infrastructure and equipment, they are accounted for as infrastructure, property and equipment. Depreciation commences when the Major spare parts is available for use.

Derecognition

An item of property, infrastructure and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use or disposal.

Gains and losses on disposal of an item of property, infrastructure and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, infrastructure and equipment, and are recognised net within other income in surplus or deficit.

Leased assets

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Upon initial recognition of assets leased under finance leases, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The depreciation expense for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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2.8 Heritage assets

Recognition and initial measurement

Heritage assets are assets that are normally held indefinitely for their unique cultural, environmental, historical, natural, scientific, technological or artistic significance for the benefit of future generations.

Certain heritage assets are described as "inalienable items" meaning that assets which are retained indefinitely by the municipality and cannot be disposed of without consent as required by law or otherwise.

On the date of initial recognition, heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, the cost is its fair value as at the date of acquisition.

Subsequent measurement

Cost model

After recognition as an asset, a class of heritage assets are carried at its cost less any accumulated impairment losses.

Depreciation

Heritage assets are not depreciated. The municipality assesses at each reporting date whether there is any indication that a heritage asset may be impaired.

Derecognition

The carrying amount of a heritage asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amounts of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

2.9 Intangible assets

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit when incurred.

Intangible assets that are acquired by the municipality and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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2.9 Intangible assets (continued)

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

Subsequent expenditure

Expenditure on Intangible assets shall be recognised as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria. All other expenditure, including expenditure on internally generated goodwill and customer lists, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits or service potential embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Computer software	3 years
Ward based database	3 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

2.10 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, rather than for:

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes and is therefore not investment property.

Property leased at less than commercial rates to achieve service delivery is held in production of services and is therefore not investment property.

Investment property is initially recognised at cost and subsequently measured at fair value. Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

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

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2.10 Investment property (continued)

The fair value of investment properties is determined at the reporting date by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuations are based on the value of similar properties in the market.

Fair value

Investment property is subsequently measured at fair value with any change therein recognised in surplus or deficit.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Disposal

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in surplus or deficit in the period of retirement or disposal.

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

2.11 Biological assets

Biological assets are measured at their fair value less point-of-sale costs. A gain or loss arising on initial recognition of biological assets at fair value less estimated point-of-sale costs and from a change in fair value less estimated point-of sale costs is included in surplus or deficit for the period in which it arises.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of the tree plantations is based on an arms' length transaction that would have been applied/ prevailing in replacing the existing tree plantations with trees of a similar age and fruit bearing capacity.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

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2.12 Financial instruments

Classification

The municipality classifies financial instruments, or their component parts, on initial recognition as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement.

Non-derivative financial assets

The municipality initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the

The municipality has the following classes and categories of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class of financial asset	IAS 39 category
Trade and other receivables from exchange transactions (consumer debtors)	Loans and receivables
Cash and cash equivalents	Loans and receivables

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less an allowance for impairment losses.

Interest is levied on past due consumer debtors at a market related rate.

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments 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. Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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2.12 Financial instruments (continued)

Non-derivative financial liabilities

The municipality initially recognises financial liabilities, on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

The municipality derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. Where 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

The municipality has the following classes of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

- . Trade and other payables from exchange transactions
- . Bank overdraft
- . Consumer deposits

The above financial liabilities form part of the "other financial liabilities carried at amortised cost" category per IAS 39 and are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

2.13 Inventories

Cost

The cost of inventories comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition. Where inventories are acquired at no cost, or for nominal consideration, the cost is deemed to be the fair value as at the date of acquisition. Cost is determined using the first-in-first-out principle except where stated otherwise.

The cost of agricultural produce harvested from biological assets is initially measured at fair value less estimated point of sale costs.

Subsequent measurement

Consumable stores and maintenance materials are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Redundant and slow-moving inventories are identified and written down to net realisable value.

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2.13 Inventories (continued)

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water inventory

Water inventory consist of:

- . Raw water (raw materials);
- . Water in purification process (work in progress); and
- . Clean water (Finished goods).

The cost of water inventory includes the cost of buying water, cost incurred in maintaining that water as well as the cost of chemicals and labour used to maintain and clean the water to its usable state. Cost of water inventory is determined on a first-in-first-out basis.

Water inventory is initially measured at cost. Where inventory is acquired at no cost, cost is deemed to be the fair value as at the date of acquisition.

Water inventory is only recognised once the municipality can demonstrate that it controls the water, it is probable that future economic benefits or service potential will flow to the municipality and the cost can be measured reliably. Control over water commences once it enters the purification process, or the O.R. Tambo infrastructure.

The water levels in reservoir are based on cubic meter capacity taking into account the capacity of the reservoir, based on land surveying reports and the curve of the reservoir.

Readings of Raw water levels are taken at year-end, which is quantified using the cost of Raw water at acquisition.

Water and purified effluent are measured at the lowest of purified cost and net realisable value in so far as it is stored and controlled in reservoirs at year-end.

Biological inventory

Cost is equal to fair value at date of harvest.

2.14 Impairment

Financial assets

A financial asset, carried at amortised cost, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise and indications that a debtor or issuer will enter bankruptcy.

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2.14 Impairment (continued)

The municipality considers evidence of impairment at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. A report on the various categories of customers is drafted to substantiate the impairment evaluation. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in surplus or deficit and reflected in an allowance account against receivables. If impaired financial assets are written off, the write off is made against the allowance account. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit, subject to the restriction that the carrying amount of the financial instrument shall not exceed what the amortised cost would have been had the impairment not been recognised.

Non-financial assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Cash generating assets

The carrying amounts of the municipality's cash generating non-financial assets, other than inventories and biological assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs. For the purpose of impairment testing, assets are therefore grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using

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2.14 Impairment (continued)

a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit. Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, plant or equipment.

Impairment losses recognised in respect of cash-generating units are allocated on a pro rata basis to reduce the carrying amounts of the other assets in the unit. The allocation of impairment losses to assets in a cash generating unit may not reduce the carrying amount of such assets below the highest of its fair value less costs to sell, value in use and zero.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of its recoverable amount and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

Any reversal of an impairment loss of a revalued item of property, plant or equipment is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in surplus or deficit, a reversal of that impairment loss is recognised in surplus or deficit.

Non-cash-generating assets

The carrying amounts of the municipality's non-cash generating assets are reviewed at each reporting date to determine whether there is any indication of impairment. A non-cash-generating asset is impaired when the carrying amount of the asset exceeds its recoverable service amount. The recoverable service amount is the greater of an asset's fair value less costs to sell and its value in use.

The value in use of a non-cash-generating asset is the present value of the non-cash-generating asset's remaining service potential.

The value in use of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach - The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential.

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2.14 Impairment (continued)

The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable service amount.

Impairment losses are recognised in surplus or deficit.

Impairment losses are recognised against the revaluation reserve to the extent that it relates to a revalued item of property, plant or equipment.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable service amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Any reversal of an impairment loss of a revalued item of property, plant or equipment is treated as a revaluation increase where appropriate. However, to the extent that an impairment loss on the same revalued asset was previously recognised in surplus or deficit, a reversal of that impairment loss is recognised in surplus or deficit.

2.15 Revenue

Revenue from exchange transactions

Revenue is generally recognised when it is probable that future economic benefits or service potential will flow to the municipality and these benefits or service potential can be measured reliably, except when specifically stated otherwise.

Revenue from the rendering of services is recognised in surplus or deficit in proportion to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable, net of value added tax, estimated returns, rebates and discounts.

Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- . the amount of revenue can be measured reliably;
- . it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- . the stage of completion of the transaction at the reporting date can be measured reliably; and
- . the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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Revenue from exchange transactions (continued)

Service charges

Service charges relating to distribution of water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption.

Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as an increase or decrease in revenue in the invoicing period. Estimates of consumption between meter readings are based on average consumption for the preceding three months.

Service charges from sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

Interest earned

Interest income is recognised in surplus or deficit as it accrues, using the effective interest method. Interest earned on unutilised conditional grants is recognised as an unspent conditional grants liability if the grant conditions indicate that interest is payable to the grantor.

Rentals received

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

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

Revenue from non-exchange transactions

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, donations and grants from other spheres of government.

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

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Revenue from non-exchange transactions (continued)

Donations and contributions

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from donations is measured at the fair value of the consideration received or receivable which is the cash amount received or where the donation is in the form of property, plant and equipment, the fair value of the property, plant and equipment received or receivable.

Revenue from recovery of unauthorised, irregular, fruitless and wasteful expenditure

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 definition and recognition criteria of an asset has been met.

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached restrictions, the grants are recognised as revenue in the reporting period in which the recognition criteria are met.

Conditional grants and receipts

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and to the extent that there has been compliance with any restrictions associated with the grant.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised.

2.16 Provisions

A provision is recognised if, as a result of a past event, the municipality has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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2.16 Provisions (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the municipality from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Restructurings

A provision for restructuring is recognised when the municipality has approved a detailed and formal restructuring plan and the restructuring either has commenced or has been announced publicly.

2.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past service or performance and the obligation can be estimated reliably.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expects to pay in exchange for that service and had accumulated at the reporting date.

Defined contribution plans

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

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2.17 Employee benefits (continued)

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees, unless another standard requires or permits the inclusion of the contribution in the cost of an asset. Prepaid contributions are recognised as an

Where contributions to a defined contribution plan do not fall due wholly within twelve months after end of the period in which the employees render the related service, they are discounted using a risk-free rate determined by reference to market yields at the reporting date on government bonds, or by reference to market yields on high quality corporate bonds.

2.18 Leases

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

Lease payments - Finance leases

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments - Operating leases

Operating lease payments are recognised in surplus or deficit on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

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2.18 Leases (continued)

Operating leases - municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

2.19 Borrowing costs

Borrowing costs are capitalised in respect of qualifying assets that necessarily take a substantial period to get ready for their intended use.

If the carrying amount of the qualifying asset exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised for the excess amount.

Borrowing costs that are not capitalised are recognised as an expense in surplus or deficit.

2.20 Donations and grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- . Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- . Expect to be repaid in future; or
- . Expect a financial return, as would be expected from an investment.

These transfers are recognised as expenses in surplus or deficit in the period that the events giving rise to the transfer occur.

2.21 Tax

Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

2.22 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance unless it meets the definition and recognition criteria of an asset.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

2.23 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) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply chain management policies. Irregular expenditure excludes unauthorised expenditure.

Irregular 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. If the expenditure is not condoned by the relevant authority, it is treated as a receivable if the definition and recognition criteria of an asset are met, until it is recovered or written off as irrecoverable.

2.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as a receivable in the statement of financial position if the definition and recognition criteria of an asset are met, until such expenditure is recovered or written off as irrecoverable.

2.25 Comparative figures

When the presentation or classification of items in the annual financial statements are amended, comparative amounts are reclassified. The nature and amounts of reclassifications as well as the reasons are disclosed in note 41.

2.26 Revaluation reserve

The surplus arising from the revaluation of property, infrastructure and equipment is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to the accumulated surplus or deficit while gains or losses on disposal, based on revalued amounts, are recognised in the statement of financial performance.

2.27 Finance income and expenses

Finance income comprises interest income on funds invested in call accounts, positive bank balances as well as interest charged on debtors outstanding more than 30 days. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

Finance expenses comprise interest expense on bank overdrafts and finance lease liabilities, changes in the fair value of financial assets at fair value through surplus or deficit and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

2.28 Budget information

The municipality's budget and the financial statements have been prepared on an accrual basis in accordance with GRAP.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

3. New standards and interpretations

3.1 Standards issued and not yet effective

The following standards expected to be applicable and relevant to the municipality when they become effective have been issued, but are not yet effective:

The GRAP standards will be applied by the municipality from the effective dates stated below. Some of the effective dates are yet to be determined by the Minister of Finance. The International Financial Reporting Standards will be applied from the effective date as indicated below.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives objectives achieved, by an entity within a particular region.

Anticipated impact on annual financial statements

This standard will not impact the amounts recognised in the financial statements. Additional disclosure is however required, which includes segment revenue and expenses as well as the carrying amount of segment assets and liabilities. The effective date of the standard has not yet been determined by the Minister of Finance.

GRAP 20 : Related Parties Disclosures

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)

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

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

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

Anticipated impact on annual financial statements

GRAP 23 contains additional guidance on conditions, restrictions and stipulations which may result in revenue being recognised at a different stage as under GAMAP 9.

For conditional grants, a liability will generally only be recognised if stipulations, that meet the definition of a condition, exist on the use of the resources received and it is required to repay any funds not utilised in accordance with those conditions (based on enforceable right), while under GAMAP 9 a liability would be recognised if restrictions existed regardless of the requirement to repay the funds if it is not utilised. The standard is effective for financial years commencing on or after 1 April 2012.

GRAP 105 : Transfer of Functions Between Entities Under Common Control

GRAP 106 : Transfer of Functions Between Entities Not Under Common Control

GRAP 107 : Mergers

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

3. New standards and interpretations (continued)

GRAP 24: Presentation of Budget Information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

Anticipated impact on annual financial statements

Although the municipality currently presents budget information in terms of the legislative provisions, additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget. The standard is effective for financial years commencing on or after 1 April 2012.

GRAP 103: Heritage Assets

Heritage assets are assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Certain heritage assets are described as inalienable items, which mean that they are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is recognised as an asset only if:

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

Heritage assets are recognised at cost unless they are acquired through a non-exchange transaction, in which case they are recognised at their fair value as at the date of acquisition. The municipality has a choice between the cost and revaluation model as an accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at their cost or revalued amount less accumulated impairment. These assets are not depreciated.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

4. New standards and interpretations (continued)

Anticipated impact on annual financial statements

The existing heritage assets of the municipality are accounted for in accordance with the accounting policy on heritage assets. Refer to note 2.8. This policy is in line with the principles listed above. The future adoption of GRAP 103 is therefore not expected to have a significant impact. The standard is effective for financial years commencing on or after 1 April 2012.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets. When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss on a revalued non-cash generating asset is treated as a revaluation decrease.

Anticipated impact on the annual financial statements

No material impact is expected. The requirements of GRAP 21 are similar to the requirements of IAS 36 Impairment of assets and IPSAS 21 Impairment of non cash-generating assets applied by the municipality during the current financial year. The municipality's current accounting policy is also aligned with the principles listed above. The standard is effective for financial years commencing on or after 1 April 2012.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return. When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality should apply the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss on a revalued cash-generating asset is treated as a revaluation decrease.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

4. New standards and interpretations (continued)

Anticipated impact on annual financial statements

No material impact. Requirements of GRAP 26 are similar to the requirements of IAS 36 Impairment of assets applied by the municipality during the current financial year. The standard is effective for financial years commencing on or after 1 April 2012.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and exchange for employee benefits.

standard also includes detailed requirements to be applied in the accounting for:

- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits

Anticipated impact on annual financial statements

Requirements of GRAP 25 are similar to the requirements of IAS 19 Employee Benefits applied by the municipality during the current financial year except for the fact that GRAP 25 requires actuarial gains and losses to be recognised in full in the year that they occur and past service costs to be recognised as an expense in the reporting period in which the plan is amended. No material impact is expected from these changes as the municipality does not have any defined benefit plans. The effective date of the standard has not yet been determined by the Minister of Finance.

GRAP 104: Financial Instruments

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

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguishes between those financial instruments carried at fair value and those at amortised cost.

O.R.TAMBO DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Accounting Policies

4. New standards and interpretations (continued)

Anticipated impact on the annual financial statements

The municipality does not have any financial instruments currently measured at fair value, and the application of GRAP 104 is therefore not expected to result in any significant reclassifications. No significant changes are expected to presentation and disclosure. The effective date of the standard has not yet been determined by the Minister of Finance.

IFRS 7: Financial Instruments: Disclosures - Amendments to disclosures

IFRS 7 is amended to add an explicit statement that the qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. The existing disclosure requirements of IFRS 7 are amended as follows:

IFRS 7 is amended to state that clarification that disclosure of the amount that best represents an entity's maximum exposure to credit risk is required only if the carrying amount of a financial asset does not reflect such exposure already.

Additional requirement to disclose the financial effect of collateral held as security and other credit enhancements in respect of a financial instrument. An example of such disclosure is quantification of the extent to which credit risk is mitigated by the collateral and other credit enhancements obtained. This disclosure is in addition to the existing requirement to describe the existence and nature of such collateral.

IFRS 7 is amended to clarify that disclosure in respect of collateral taken possession off by the entity is required only in respect of such collateral held at the end of the reporting period.

The following requirements have been removed from IFRS 7:

Disclosure of the carrying amount of financial assets that would have been past due or impaired if their terms had not been renegotiated.

Disclosure of the description and fair value of collateral held as security and other credit enhancements in respect of financial assets that are past due but not impaired and in respect of financial assets that are individually determined to be impaired.

Additionally, the clause stating that quantitative disclosures are not required when a risk is not material has been removed from IFRS 7. The general materiality considerations continue to apply to all disclosures required by IFRS 7 in the same way as they apply to other IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2011.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2012.

Anticipated impact on annual financial statements

The amendments will mainly impact the municipality's qualitative disclosures with regards to financial instruments. There will be no impact of the figures reported by the municipality. GRAP 104 will supersede these amendments as it will replace the disclosure requirements for financial instruments.

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2011

30 June 2011
 R

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following

Bank balances

Cash and bank	13 545 961
Call deposits	133 409 820
	<u>146 955 781</u>

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank, York Road: Account Number 53990137772

Cash book balance at beginning of year	1 608 228
Cash book balance at end of year	<u>13 539 721</u>
Bank statement balance at beginning of year	49 260 977
Bank statement balance at end of the year	<u>25 983 037</u>

(Other Account - credit card)

First National Bank, York Road: Account Number 88127100473600C

Cash book balance at beginning of year	5 344
Cash book balance at end of year	<u>5 344</u>
Bank statement balance at beginning of year	3 088
Bank statement balance at end of year	<u>2 169</u>

Current Account - petty cash

First National Bank, York Road: Account Number 621428618881

Cash book balance at beginning of year	1 656
Cash book balance at end of year	<u>896</u>
Bank statement balance at beginning of year	-
Bank statement balance at end of year	<u>829</u>

Total cash and cash equivalents 146 955 781

Total bank overdraft -

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2011

TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		Gross Balances	Allowance for impairment losses
		R	R
6			
6.1	<u>Trade receivables</u>		
30-Jun-11			
	Service debtors		
	Water	172 747 064	(168 712 057)
	Sewerage	39 177 871	(26 353 338)
	Discounting	(149 300)	-
	Total	211 775 635	(195 065 395)
30-Jun-10			
	Service debtors		
	Water	110 876 051	(103 329 768)
	Sewerage	64 022 918	(59 665 523)
	Total	174 898 969	(162 995 291)

		30 June 2011
		R
Service Debtors: Ageing		
	Current (0 – 30 days)	20 260 406
	31 - 60 Days	11 800 915
	61 - 90 Days	8 612 868
	91 - 120 Days	8 215 854
	121 - 365 Days	88 564 412
	+ 365 Days	74 466 975
	Payments received in advance	(2 933 841)
	Total	208 987 590

Service debtors contain an amount of R2 933 841 that has been received in advance from some of the municipality's consumer debtors. To comply with basic disclosure norms this amount has been disclosed under creditors. Accordingly, therefore, this amount accounts for the difference between total service debtors and the age analysis.

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial
	R	R
30-Jun-11		
	Current (0 – 30 days)	3 093 655
	31 - 60 Days	1 548 953
	61 - 90 Days	1 142 777
	91 - 120 Days	977 825
	121 - 365 Days	10 804 066
	+ 365 Days	4 030 850
	Payments received in advance	(795 785)
	Sub-total	20 802 340
	Less: Provision for doubtful debts	(20 802 340)
	Total debtors by customer classification	-
30-Jun-10		
	Current (0 – 30 days)	3 304 752
	31 - 60 Days	1 630 682
	61 - 90 Days	1 013 117
	91 - 120 Days	1 085 927
	121 - 365 Days	10 399 940
	+ 365 Days	3 978 917
	Sub-total	21 413 333
	Less: Provision for doubtful debts	(19 955 842)
	Total debtors by customer classification	1 457 492

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2011

Statutory Debtors: Ageing

+ 365 Days

30 June 2011

R

8 448 688

In accordance with the annual fiscal budgeting proclamations levies were repealed with effect from 01 July 2006, hence the relatively slow recovery rate.

Summary of Debtors by Customer Classification

Industrial / Commercial

R

30-Jun-11

+ 365 Days

4 030 850

30-Jun-10

+ 365 Days

3 978 917

6.2 Reconciliation of the doubtful debt provision

30 June 2011

R

Balance at beginning of the year

162 995 291

Reversal of incorrect entry

-

Total contribution to provision

32 070 104

Contributions to provision: trade debtors

58 112 922

Contributions to provision: other debtors

-

Doubtful debts written off against provision

-26 042 818

Reversal of provision

-

Balance at end of year

195 065 395

Trade receivables impaired

As of 30 June 2011, trade and other receivables of R192 130 553- (2010: R162 995 291) were impaired and provided for. The net increase of the provision was R29 135 262 as at 30 June 2011 (2010: net increase of R37 335 458). This was after an amount of R26 043 868 was written off as irrecoverable as approved by council.

The fair value of trade receivables approximates their carrying amounts.

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2011

30 June 2011
 R

7 INVENTORIES

Opening balance of inventories:	11 774 893
Consumable stores and Maintenance materials - at cost	9 375 202
Water	2 399 691
Additions:	3 388 976
Consumable stores	3 388 976
Water	-
Adjustments	(2 083 626)
Water	(2 083 626)
Issued (expensed):	
Consumable stores	-
Closing balance of inventories:	13 080 243
Consumable stores and Maintenance materials	12 764 178
Water	316 065

30 June 2011
 R

8 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

CURRENT	
Car loans	51 445
Staff loans	-
Other receivables	4 711 155
Less: Provision for doubtful debts	(2 026 276)
Total	2 736 324

CAR LOANS

These are loans that were originally given to employees in 2006, payable within three years at no interest. The above employees are no longer working for the Municipality. Efforts are being made through the legal department to collect the amount owed.

STAFF LOANS

Staff loans comprise interest-free study loans granted to employees. As a means to provide an incentive for employees to further their studies and training the municipality has a scheme whereby employees who are successful on their studies (pass rate on courses registered for per academic year) are not required to pay back the study loan and any amounts that would have been recovered from the employees through the payroll are paid back to them.

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the period ended 30 June 2011

9 INTANGIBLE ASSETS

Reconciliation of carrying value	Computer Software R	Ward based database R
As at 1 July 2010	549 672	3 234 790
Cost	2 640 631	5 063 150
Accumulated amortisation and impairment losses	(2 090 959)	(1 828 360)
Acquisitions	27 826	-
Amortisation	(552 618)	(1 687 717)
As at 30 June 2011	24 879	1 547 073
Cost	2 668 456	5 063 150
Accumulated amortisation and impairment losses	(2 643 577)	(3 516 077)
As at 1 July 2009	983 027	4 922 507
Cost	2 369 906	5 063 150
Correction of error: cost (note 32)	(4 824)	-
Correction of error: accumulated amortisation (note 32)	3 216	-
Accumulated amortisation and impairment losses	(1 385 271)	(140 643)
Acquisitions	275 548	-
Amortisation	(708 904)	(1 687 717)
As at 30 June 2010	549 671	3 234 790
Cost	2 640 630	5 063 150
Accumulated amortisation and impairment losses	(2 090 959)	(1 828 360)

30 June 2010
R

1 621 690
<u>63 357 360</u>
<u>64 979 050</u>

<u>33 367 570</u>
<u>1 608 228</u>
<u>33 339 219</u>
<u>49 260 977</u>

<u>13 271</u>
<u>5 344</u>
<u>8 465</u>
<u>3 088</u>

<u>(222)</u>
<u>1 656</u>
<u>(222)</u>
<u>-</u>

<u>64 979 050</u>
<u>-</u>

Net Balance
R

4 035 007
12 824 533
(149 300)
16 710 240

7 546 283
4 357 395
11 903 678

30 June 2010
R

18 458 793
8 165 112
5 730 106
5 637 735
67 975 051
68 932 133
-
174 898 929

**National and Provincial
Government**

R

6 932 862
2 869 622
2 573 911
2 402 511
10 221 262
4 417 838
(563 434)
28 854 573
(28 854 573)
-

5 986 657
2 423 868
1 324 022
1 152 011
7 146 551
10 831 651
28 864 760
(26 900 232)
1 964 528

30 June 2010
R

14 810 568

National and Provincial
Government
R

4 417 838

10 831 651

30 June 2010
R

127 867 409
-2 207 575
37 335 458

37 335 458

-

-

-

162 995 291

30 June 2010
R

10 525 311

531 301
9 994 010

22 580 666

22 580 666
-

(7 594 319)

(7 594 319)

20 671 572

20 671 572

11 774 893

9 375 202
2 399 691

30 June 2010
R

51 445

67 105

3 137 181

(1 922 601)

1 333 130

Total
R

3 784 462

7 703 781
(3 919 319)

27 826
(2 240 335)

1 571 952

7 731 606
(6 159 654)

5 905 534

7 433 056
(4 824)
3 216
(1 525 914)

275 548
(2 396 621)

3 784 461

7 703 780
(3 919 319)

**O.R. TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2011**

10 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

10.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
01 July 2010								
Cost/Revaluation	39 404 387	73 337 294	5 074 508 857	-	90 000	83 215 972	1 575 266	5 272 131 776
Opening balance	39 404 387	111 340 206	4 951 247 376	-	90 000	83 215 972	1 575 266	5 186 873 207
Correction of error		(38 002 912)	123 261 481					85 258 569
Accumulated depreciation and impairment losses	(3 654 386)	(10 595 628)	(1 583 254 994)	-	-	(47 173 554)	(675 062)	(1 645 353 624)
Acquisitions- Municipality		8 100 459	37 187 506			7 206 555	-	52 494 520
Acquisitions- Dwaf donated								-
Revaluations								-
Capital under Construction-Municipality			247 465 161					247 465 161
Capital under Construction-DWAF donated			69 863 610					69 863 610
Other adjustments								-
Depreciation		(3 901 059)	(122 373 720)			(9 737 791)	(245 786)	(136 258 356)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation								
Accumulated depreciation and impairment losses								
(Impairment loss)/Reversal of impairment loss								
Transfers								
Other movements*								
30 June 2011	35 750 001	66 941 066	3 723 396 420	-	90 000	33 511 182	654 418	3 860 343 087
Cost/Revaluation	39 404 387	81 437 753	5 429 025 134	-	90 000	90 422 527	1 575 266	5 641 955 067
Accumulated depreciation and impairment losses	(3 654 386)	(14 496 687)	(1 705 628 714)	-	-	(56 911 345)	(920 848)	(1 781 611 980)

**O.R. TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 June 2011**

10.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
01 July 2009	35 500 001	85 114 425	3 218 854 952	-	180 000	36 247 756	209 387	3 376 106 521
Cost/Revaluation	39 154 387	92 349 992	4 678 886 621	-	90 000	74 028 578	693 476	4 885 203 054
Opening balance	47 945 554	92 349 992	4 570 855 037	-	90 000	73 442 325	667 316	4 785 350 224
Reclassification of Assets	(8 791 167)	-	-	-	-	-	-	(8 791 167)
Correction of error	-	-	108 031 584	-	-	586 253	26 160	108 643 997
Accumulated depreciation and impairment losses	(3 654 386)	(7 235 567)	-1 460 031 669	-	-	(37 780 822)	(484 089)	(1 509 186 533)
Acquisitions - Municipality	-	294 162	26 071 196	-	-	9 187 394	881 790	36 434 542
Acquisitions - Dwaf donated	-	-	32 271 223	-	-	-	-	32 271 223
Revaluations	250 000	6 217 333	-	-	-	-	-	6 467 333
Capital under Construction - Municipality	-	12 478 719	121 486 028	-	-	-	-	133 964 748
Capital under Construction - DWAF donated	-	-	92 532 307	-	-	-	-	92 532 307
Other adjustments	-	-	-	-	-	-	-	-
Depreciation	-	(3 006 726)	(123 223 325)	-	-	(9 156 219)	(190 973)	(135 577 243)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
(Impairment loss)/Reversal of impairment loss	-	(353 335)	-	-	-	(236 513)	-	(589 848)
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
30 June 2010	35 750 001	100 744 578	3 367 992 382	-	90 000	36 042 418	900 203	3 541 519 583
Cost/Revaluation	39 404 387	111 340 206	4 951 247 376	-	90 000	83 215 972	1 575 266	5 186 873 207
Accumulated depreciation and impairment losses	(3 654 386)	(10 595 628)	(1 583 254 994)	-	-	(47 173 554)	(675 062)	(1 645 353 624)

Refer to Appendices B and C for more detail on Infrastructure, property, plant and equipment.

Details of valuation

The effective date of the revaluations was 30 June 2011. Revaluations were performed by independent professional valuers, Mr Charl Kruger (National Diploma in Property Valuers), Gesina de Sousa independent candidate valuer, Letlaka Ndamase and Valuers), an independent professional associated valuer (Valuation Network Property Valuers and Consultants). Valuation Network Property Valuers and Consultants is not connected to the entity.

Land and buildings are re-valued independently every 5 years. The valuation was performed using the market value method and the following assumptions were used: The income capitalisation approach used to value income producing properties and it is based on the assumption that the purchaser will pay no more for a property with a certain income flow with similar risks and benefits than for an investment elsewhere. The net income stream is converted into a present value through the capitalisation process. The capitalisation rate of return which will be required by the owner form an investment if that investment were fully let to tenants paying market related rentals with market escalation rates.

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11.2 Operations and Principal Activities

The Adam Kok farms are utilised both for livestock production and for the production of fruit. On 30 June 2011, the farm held 207 Cows, 38 Bulls, 192 Calves being raised to be Steers and Heifers being respectively 332 Heifers and 38 Steers. The livestock is valued at fair market value (valued by Sworn Appraiser) less point of sale costs.

A mass plantation of peach and apple fruit trees are held for the production of fruit, covering a total area of 18 hectares.

11.3 Non-financial information

Quantities of each biological asset

	Trees in plantation R	Cows R	Bulls R	Calves R	Heifers R	Steers R	Total R
as at 1 July 2010	19 800	333	26	271	296	98	20 824
Trees	19 800	-	-	-	-	-	19 800
Livestock	-	333	26	271	296	98	1 024
Additions	-	-	-	-	-	-	-
Newborn calves during the year	-	-	-	150	-	-	150
Purchases	-	-	-	-	-	-	-
Decrease due to harvest/sale	-	(124)	(32)	(2)	(1)	(151)	(310)
Decrease due to death	-	(28)	(5)	(3)	(8)	(1)	(45)
Decrease due to donations	-	-	(1)	-	(1)	-	(2)
Transfers of calves to steers and heifers	-	51	50	48	110	142	401
Transfers from calves (weaned)	-	(25)	-	(272)	(64)	(50)	(411)
as at 30 June 2011	19 800	207	38	192	332	38	20 607
Trees	19 800	-	-	-	-	-	19 800
Livestock	-	207	38	192	332	38	807

**O.R. TAMBO DISTRICT MUNICIPALITY
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11.4 Biological assets pledged as security

No biological assets were pledged as security.

11.5 Assets carried at cost and accumulated depreciation and impairment losses

Biological assets are carried at fair value.

11.6 Methods and assumptions used in determining the fair value

Cattle are valued at the prevailing market rates, as determined by breed, genetic merit and age less point of sale costs. Fruit trees are valued by way of on arms length transaction that would have been applied / prevailing in replacing the existing fruit trees with new fruit trees

11.7 Output of agricultural produce

	2011	2010
Agricultural produce for the year	-	-
There was no output of agricultural produce for the year		

11.8 Biological assets that died during the year

	Cows	Bulls	Calves	Heifers	Steers	Total
Rand value	(122 640)	(36 810)	(2 850)	(36 480)	(3 920)	(202 700)
Quantities	(28)	(5)	(3)	(8)	(1)	(45)

Most of the biological assets died due to ill-health ranging from pneumonia, liver flu, wire worm, red water and dystonia.

11.9 Financial risk management

The municipal tree plantations are exposed to the risk of damage from climatic changes, diseases, fires and other natural forces. The municipality has processes in place aimed at monitoring and mitigating those risks, including regular inspections and pest and disease control.

O.R. TAMBO DISTRICT MUNICIPALITY
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	30 June 2011 R	30 June 2010 R
12 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Financial liabilities measured at cost	115 310 209	214 391 245
Trade payables	112 376 367	211 484 734
Payments received in advance	2 933 841	2 906 511
Provisions	26 358 772	21 996 270
Provision for Bonus	4 474 461	4 011 110
Provision for Leave	21 884 311	17 985 160
Other accounts payable	-	313 551
Total creditors	141 668 981	236 701 065

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

13 CONSUMER DEPOSITS

Consumer deposits	678 997	184 297
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14 VAT RECEIVABLE

VAT receivable	35 549 873	12 441 566
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VAT is payable on a payment basis. VAT is paid over to SARS only when payment is received from debtors.

15 OBLIGATIONS UNDER TRANSFER ARRANGEMENTS

15.1 Unspent Conditional Grants from other spheres of Government

MIG Grants	(101 563 234)	30 530 575
Other	42 681 044	(23 045 471)
Total Unspent Conditional Grants and Receipts	(58 882 190)	7 485 104

15.2 Conditions and restrictions

See note 20 for the reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

O.R. TAMBO DISTRICT MUNICIPALITY
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16 FINANCE LEASE LIABILITY

30 June 2011	Up to 1 Year	2 to 5 Years	Total
Amounts payable under finance leases	R	R	R
Minimum Lease Payments	262 272	629 614	891 886
Finance Costs	(70 977)	(80 692)	(151 669)
Present Value	<u>191 295</u>	<u>548 922</u>	<u>740 217</u>
Less: Amount due for settlement within 12 months (current portion)			<u>191 295</u>
			<u><u>548 922</u></u>

The average lease term is 5 years. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate (internal rate of return) is 22.68%. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments. None of the leased equipment's ownership will pass to the municipality at the end of the respective lease terms.

30 June 2010	Up to 1 Year	1 to 5 Years	Total
Amounts payable under finance leases	R	R	R
Minimum Lease Payments	381 722	1 157 716	1 539 438
Finance Costs	(95 841)	(166 204)	(262 045)
Present Value	<u>285 881</u>	<u>991 512</u>	<u>1 277 393</u>
Less: Amount due for settlement within 12 months (current portion)			<u>285 881</u>
			<u><u>991 512</u></u>

The average lease term is 5 years. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate (internal rate of return) is 22.68%. The majority of these leases have fixed repayment terms. The agreements do not provide for contingent rental payments. None of the leased equipment's ownership will pass to the municipality at the end of the respective lease terms.

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	30 June 2011 R	30 June 2010 R
17 SERVICE CHARGES		
Sale of water	#VALUE!	74 437 544
Sewerage and sanitation charges	11 558 775	15 424 100
Less: Interest on discounting	(149 301)	(889 717)
Total Service Charges	#VALUE!	88 971 927
18 FINANCE INCOME		
Interest income on external investment	18 669 408	8 373 488
Interest on outstanding receivables	17 846 655	13 554 135
Total interest	36 516 063	21 927 623
19 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	406 208 524	324 579 554
MIG Grant	492 705 750	458 036 544
Other Government Grants and Subsidies	92 418 639	74 743 730
Grant in aid income	17 616 777	53 375 149
Total Government Grants and Subsidies	1 008 949 690	910 734 977
19.1 Equitable Share		
<p>In terms of the Constitution, this, amongst other grants, is used to subsidise the provision of basic services to the district's communities. In this regard, the district's service beneficiaries (water supply customers) receive an allocation of 6 kilolitres of free water a day. This translates to a subsidy of R21.60 per month (2010: R21,60), which is funded from this grant. Furthermore a part of service delivery, the District Municipality carts water to the urban and rural areas throughout the district.</p>		
19.2 MIG Grant		
Balance unspent at beginning of year	(30 530 576)	28 612 718
Current year receipts	570 955 000	400 000 000
Conditions met - transferred to revenue	(438 861 191)	(459 143 294)
Conditions still to be met - remain liabilities	101 563 233	(30 530 576)

In terms of MFMA Circular No. 48, all conditional allocations (excluding interest earned thereon) that at year-end are not utilised must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects. The municipality reports that at year end, all unspent conditional grants were committed to identifiable projects.

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	30 June 2011 R	30 June 2010 R
19.3 Other Government Grants and Subsidies		
Balance unspent at beginning of year	23 045 471	30 567 035
Prior year error	(2 589 612)	95 974
Current year receipts	36 449 300	105 941 987
Conditions met - transferred to revenue	(99 499 373)	(113 574 063)
Conditions still to be met - remain liabilities	(42 594 214)	23 030 933

19.4 Grant in aid income

Grant in aid income represents the value of Water Infrastructure constructed by the Department of Water Affairs & Forestry during the current year for the Municipality.

	17 616 777	14 748 311
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19.5 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2010), the following significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

	2012 R	2013 R	2014 R
Financial management grant	1 250 000	1 250 000	1 500 000
Municipal systems improvement grant	790 000	800 000	850 000
Equitable share	416 223 000	445 252 250	475 317 670
Municipal infrastructure grant	562 773 000	684 281 000	721 916 000
Water services operating and transfer subsidy	15 569 000	17 268 000	5 000 000
	996 605 000	1 148 851 250	1 204 583 670

20 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS

	30 June 2011 R	30 June 2010 R
20.1 OTHER INCOME		
Sundry revenue	3 378 712	920 561
Tender documents	507 006	716 161
Commission received	60 224	76 184
Overpayment	396 000	-
Insurance proceeds	-	11 750
VAT refund (MFMA Circular No.48 Implementation)	67 377 502	61 793 435
Total	71 719 443	63 518 091

20.2 Public contributions and donations

Public contributions - Unconditional	-	200 000
Total public contributions and donations	-	200 000

Total Other Income	71 719 443	63 718 091
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Reconciliation of conditional contributions

Balance unspent at beginning of year	-	-
Current year receipts	-	200 000
Conditions met - transferred to revenue	-	(200 000)
Conditions still to be met - remain liabilities	-	-

No public contribution was received during the 2011 financial year (2010 : R200 000).

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	30 June 2011 R	30 June 2010 R
21 EMPLOYEE BENEFITS		
21.1 EMPLOYEE RELATED COSTS		
Salaries and wages	111 787 436	84 138 430
Contributions for UIF, pensions and medical aids	21 914 184	16 631 625
Travel, motor car and other allowances	18 723 518	17 405 855
Housing benefits	6 926 912	4 836 509
Overtime	3 957 330	3 309 133
Bonus (13th cheque)	7 943 594	6 359 923
Performance bonuses	(220)	-
Provision for leave pay	7 738 740	3 379 783
Salary Costs (DWAF)	210 050	-
Total employee costs excluding councillors	179 201 544	136 061 258
Remuneration of the Municipal Manager		
Annual Remuneration	817 559	948 674
Car Allowance	314 603	75 600
Leave Pay	64 429	
UIF	1 497	1 497
Total	1 198 088	1 025 771
Remuneration of the Chief Finance Officer		
Annual Remuneration	683 098	626 622
Car Allowance	314 601	314 603
Leave pay	228 458	33 831
UIF	1 497	1 497
Total	1 227 653	976 553
Remuneration of the Strategic Director - Corporate Services		
Annual Remuneration	781 517	867 591
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	185 715	1 497
Total	1 087 232	989 088
Remuneration of the Strategic Director - Planning and Socio-Economic Affairs		
Annual Remuneration	1 013 731	924 591
Car Allowance	72 000	72 000
UIF	1 497	1 497
Total	1 087 228	998 088

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21.1 EMPLOYEE RELATED COSTS(continued)

	30 June 2011 R	30 June 2010 R
Remuneration of the Internal Audit Manager		
Annual Remuneration	853 698	797 225
Car Allowance	144 000	144 000
Leave Pay	112 302	35 657
UIF	1 497	1 497
Total	1 111 498	978 379

Remuneration of Director - Municipal Operations & Reporting

Annual Remuneration	804 494	69 254
Car Allowance	193 204	193 204
Leave Pay	308 405	-
UIF	1 497	1 497
Total	1 307 600	263 955

Remuneration of Council Secretary

Annual Remuneration	773 298	765 859
Car Allowance	120 000	120 000
Leave Pay	-	33 560
Contributions to UIF, Medical and Pension Funds	105 897	1 497
Total	999 195	920 916

Remuneration of Political Advisor

Annual Remuneration	1 100 608	948 674
Car Allowance	75 600	75 600
Leave Pay	142 173	-
UIF	1 497	1 497
Total	1 319 878	1 025 772

Remuneration of Director - Office of the Executive Mayor

Annual Remuneration	453 817	626 622
Car Allowance	151 272	314 603
Cell phone allowance	35 964	-
Leave Pay	-	35 657
UIF	1 497	1 497
Total	642 550	978 379

Remuneration of Individual Executive Directors

	Technical Services R	Corporate Services R	Community Services R
2011			
Annual Remuneration	869 861	383 305	758 679
Leave pay	124 257	56 048	37 792
Travel, motor car, accommodation, subsistence and other allowances	134 149	121 442	241 177
Contributions to UIF, Medical and Pension Funds	1 497	873	1 497
Total	1 129 763	561 668	1 039 145

REMUNERATION OF COUNCILLORS

Executive Mayor	605 089	574 004
Speaker	305 826	270 231
Mayoral Committee members	4 155 671	3 948 128
Councillors	3 281 232	2 854 681
Councillors - other	10 963	-
Total Councillors' Remuneration	8 358 781	7 647 044

O.R. TAMBO DISTRICT MUNICIPALITY

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For the period ended 30 June 2011

21.1 EMPLOYEE RELATED COSTS(continued)	30 June 2011 R	30 June 2010 R
In-kind Benefits		
<p>The Executive Mayor and Executive Committee Members are full-time. The new Speaker which was elected on the 18 May 2011 is also full-time, the previous Speaker was part-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor is provided with personal body guards.</p> <p>The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at less than market related rate. The Executive Mayor has use of the Council owned vehicle for official duties.</p>		
22 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	136 258 356	135 577 243
Intangible assets	2 240 335	2 396 621
Total Depreciation and Amortisation	138 498 691	137 973 864
23 FINANCE COSTS		
Finance lease	91 301	447 998
Interest on DWAF	-	8 279 607
	91 301	8 727 605
24 BULK PURCHASES		
Water	24 907 983	40 625 668
25 CONTRACTED SERVICES		
Contracted services for:		
Cleaning services	-	249 807
Security services	5 678 151	5 770 494
Total contracted services	5 678 151	6 020 301
26 GRANTS AND SUBSIDIES PAID		
Ntinga O.R. Tambo Development Agency *	43 029 203	80 205 211
Municipal support **	8 520	305 277
Support to Traditional Authorities	34 000	518 854
	43 071 724	81 029 342

* Ntinga O.R. Tambo Development Agency is an entity of the municipality responsible for the Economic Development objectives of the municipality. Accordingly and as a means to enable it to fulfil its mandate, it is recipient of allocated grant funding from the District Municipality.

** The District Municipality supported three of its local municipalities namely: Mhlontlo Local Municipality, Ingquza Hill Local Municipality and Port St Johns Local Municipality.

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	30 June 2011	30 June 2010
	R	R
27 GENERAL EXPENSES		
Included in general expenses are the following:-		
Conditional grant expenditure	208 170 627	355 274 179
2010 Sports development programme	-	681 221
Advertising	518 377	424 899
Assessment rates	1 308 665	734 011
Audit committee allowances	75 166	97 430
Audit fees	2 618 025	2 582 703
Bank charges	783 212	1 144 631
Ceremonial function	329 000	11 809
Child protection services	74 448	54 939
Cleaning	753 606	299 101
Communication	714 510	1 638 404
Community participation and road shows	708 054	455 042
Conferences and delegations	289 060	864 622
Consulting fees	5 366 414	5 877 137
Corporate expenditure	86 291	313 412
Corporate gifts	45 813	41 890
Council receptions/expenses	550 449	410 417
District sports council	68 954	251 179
Employee assistance programme	119 877	25 300
Entertainment	65 467	
Farm operations	3 245 549	266 007
Financial academic assistance	1 842 178	971 521
Free basic services	529 982	30 541 322
Group life assurance scheme	999 308	1 601 212
Hire - equipment and machinery	2 280 400	1 942 431
Hiv and Aids (Inkciyo Practice)	516 934	1 647 054
Hiv and Aids awareness	1 084 061	-
Housing projects - launches	13 842	102 938
Insurance	1 156 902	1 058 708
Interest and penalties	123	-
Inter-governmental relations	165 968	2 735 769
International relations	-	11 400
Internship programme	1 034 151	1 436 646
Investment conference	-	3 825
Community training	1 102 250	-
Legal expenses	551 550	424 189
License fees	2 576 842	2 222 650
Mandela month	-	41 699
Mayoral reception fund	32 211	-
Mayor's IMBIZO	1 609 598	1 399 287
Mayor's sectoral engagement	1 514 391	117 216
Membership fees	12 503	13 452
Mfundisweni road	-	-
Moral regeneration programmes	49 904	108 596
Sub-total carried forward	<u>242 964 661</u>	<u>417 828 249</u>

O.R. TAMBO DISTRICT MUNICIPALITY
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27 GENERAL EXPENSES (continued)	30 June 2011 R	30 June 2010 R
Sub-total brought forward	242 964 661	417 828 249
Municipal health services	1 100 816	-
Office rental	214 366	131 590
O.R. Tambo month	1 331 779	3 439 836
Other operational expenditure	#VALUE!	10 062 102
Postage	140 792	177 508
Poverty relief programme	2 655 014	4 933 644
Primary health care	115 943	159 924
Printing and stationery	2 886 937	1 968 716
Protective clothing	613 485	54 279
Public transport	243 189	104 200
Relocation costs	61 618	5 250
Revenue generation and enhancement	-	8 000
Safety and security program	110 357	511 865
SALGA fees	1 303 136	1 261 314
Scientific disaster management	212 247	-
Skills development and capacity building	231 713	813 990
SMME Development programme	553 309	-
Social relief programme	491 156	349 615
Sports, arts, culture and heritage	565 871	241 979
Spus - children	1 079 491	2 105 671
Spus - old age	90 048	350 236
Spus - physically challenged	104 379	243 685
Spus - women	348 732	258 012
Spus - youth	669 269	598 253
Stocks and material	-	6 363 713
Travel and subsistence	4 780 537	5 662 395
Taxi programme assistance	-	25 000
Telephone cost	4 126 193	4 486 123
Tourism marketing	37 114	346 737
Tourism education and awareness	1 121 438	366 923
Transfer of sports facilities	666 922	208 628
Vehicle fuel and oil	7 307 616	6 021 681
Village water committees	14 998 191	13 184 161
VIP Protection unit	550 254	3 295 308
Waste management	3 127 569	3 109 917
Water plant hire	-	-
Water purification chemicals	8 505 247	12 009 941
Water quality monitoring	101 680	2 892 650
Water services operating and transfer	-	-
Water week event	-	-
Waterfall park school	-	-
Whippery support	1 039 229	269 062
Workmen's Compensation Fund	798 794	-
Workplace training	258 110	676 854
Ward based planning	81 422	-
	#VALUE!	504 527 010

No extraordinary expenses were included in general expenses

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	30 June 2011 R	30 June 2010 R
28 GAIN ON SALE OF ASSETS		
Biological assets	1 607 552	1 474 758
Cost of sale	(1 377 084)	(966 347)
Total Gain on Sale of Assets	230 468	508 411
29 IMPAIRMENT LOSS		
Property, plant and equipment		
In the current year, land and buildings and plant and equipment were revalued to determine the fair value and the recoverable value, this in compliance with the statement on Property, Plant and Equipment.	-	4 667 081
Loss of biological assets due to natural death and losses	214 622	-
	214 622	4 667 081
30 INCREASE IN FAIR VALUE OF BIOLOGICAL ASSETS		
Gains from changes in fair value	3 176 454	2 128 126
Losses from changes in fair value	(1 329 917)	(839 940.13)
	1 846 537	1 288 185
31 CASH GENERATED FROM / (UTILISED IN) OPERATIONS		
Surplus for the year	#VALUE!	113 746 509
Adjustment for:-		
Prior year adjustment	2 218 446	-
Depreciation and amortization	138 498 691	137 973 864
Gain on disposal of biological assets	(230 468)	(508 411)
Finance costs	91 301	-
Fair value adjustments	(1 846 537)	(1 288 185)
Impairment loss	214 622	4 667 081
Debt impairment	58 112 922	37 335 458
Bad debt write off	(26 042 780)	-
Provision for leave pay	-	3 379 783
Discounting of debtors	149 301	-
Movement in reserves	291	-
Proceeds on insurance	-	(11 750)
Donated Assets	(69 863 610)	(124 803 531)
Operating surplus before working capital changes:	#VALUE!	170 490 818
(Increase)/Decrease in inventories	(1 305 388)	5 685 455
(Increase)/Decrease in trade receivables from exchange transactions	(37 025 966)	(45 587 565)
(increase) in other receivables from other-exchange transactions	(1 403 194)	(30 806)
(Increase)/decrease in VAT receivable	(23 108 308)	(9 309 240)
Increase/(decrease) in trade and other payables from exchange transactions	(99 081 036)	104 387 878
(Decrease) in other payables	(313 551)	-
Increase in advances	-	758 969
Increase in provisions	4 362 503	1 758 180
Increase/(decrease) in unspent conditional grants and receipts	66 367 294	(66 664 858)
Cash generated from / (utilised in) operations	#VALUE!	161 488 830

O.R. TAMBO DISTRICT MUNICIPALITY

NOTES THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

	30 June 2011 R	30 June 2010 R
32 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	146 955 781	64 979 050
Bank overdraft	-	-
Net cash and cash equivalents (net of bank overdrafts)	146 955 781	64 979 050
33 CORRECTION OF ERRORS		
Infrastructure assets duplicated in prior year	(38 002 912)	-
Reversal of an expense incorrectly accrued	668 132	(5 000)
Infrastructure assets previously omitted from the financial statements	123 261 481	-
Journal summarised	-	61 220
Expenditure not accrued for in prior year	(464 029)	(1 027 270)
Accruing for cheques	-	1 688 913
Correction of opening balances for grant funds	2 593 843	847 629
Correcting of error	-	108 031 584
Adjustment of Mbizana Consumption	(619 821)	3 286
Recognition of expenditure not transferred to funds	-	63 091
Accounting for withdrawals not accounted for	-	1 019 688
Accounting for call account not accounted for previously	40 320	-
Net effect on Statement of Financial Position and net effect on Accumulated Surplus Opening Balance	87 477 015	110 683 140

34 CHANGE IN ESTIMATE

There was no change in estimate for the period ended 30 June 2011

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For the period ended 30 June 2011

	30 June 2011 R	30 June 2010 R	
35 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT			
35.1 Contributions to organised local government			
Opening balance	-	-	
Council subscriptions	1 303 136	1 090 314	
Amount paid - current	(1 303 136)	(1 090 314)	
Amount paid - previous years	-	-	
Balance unpaid (included in payables)	-	-	
35.2 Audit fees			
Opening balance	14 090	1 843	
Current year audit fee	2 645 416	2 580 860	
Amount paid - current year	(2 639 496)	(2 566 770)	
Amount paid - previous years	(14 090)	(1 843)	
Balance unpaid (included in payables)	5 920	14 090	
35.3 PAYE and UIF			
Opening balance	(910)	(910)	
Current year payroll deductions	33 767 733	21 807 798	
Amount paid - current year	(33 766 940)	(21 807 798)	
Amount paid - previous years	-	-	
Balance unpaid (included in payables)	(117)	(910)	
35.4 Pension and Medical Aid Deductions			
Opening balance	4 394	-	
Current year payroll deductions and Council Contributions	29 843 768	28 042 835	
Amount paid - current year	(29 843 768)	(28 038 441)	
Amount paid - previous years	(4 394)	-	
Balance unpaid (included in payables)	-	4 394	
35.5 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding as at: -	Total	Outstanding 90 days and less	Outstanding more than 90 days
	R	R	R
As at 30 June 2011			
Councillor M.N. Mvanyashe	3 320	125	3 195
Councillor H.N Wellem	323	323	-
Councillor H.S. Tayi	373	373	-
Councillor S. Ndabeni	7 184	385	6 799
Councillor M.J. Ndamase	5 563	813	4 750
Councillor F.N. Soldita	11 684	944	10 741
Councillor J.P Gwadiso	12 735	1 083	11 652
Councillor N.Madalane	3 192	622	2 570
Councillor T. Luvela	4 736	197	4 538
Total Councillor Arrear Consumer Accounts	49 111	4 866	44 245

O.R. TAMBO DISTRICT MUNICIPALITY

NOTES THE FINANCIAL STATEMENTS

For the period ended 30 June 2011

The following Councillors had arrear accounts outstanding as at: -	Total	Outstanding 90 days and less	Outstanding more than 90 days
	R	R	R
As at 30 June 2010			
Councillor M.N. Mvanyashe	2 679	2515	164
Councillor Jwacu	5 266	4 939	327
	4 133	3 566	567
Councillor H.S. Tayi	869	718	151
Councillor S. Ndabeni	5 648	5 282	366
Councillor M.J. Ndamase	3 938	3 178	760
Councillor F.N. Soldita	7 823	7 123	700
Councillor J.P. Gwadiso	8 927	8 258	669
Councillor T. Luvela	1 249	147	1 102
Total Councillor Arrear Consumer Accounts	40 531	35 726	4 805

35.6 Expenditure incurred in terms of Paragraph 36(1)(a) and (b) of the Municipal Supply Chain Management Policy

Paragraphs 36(1)(a) and (b) of the Municipality's supply chain management policy stipulate that the accounting officer may dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only:

- in an emergency;
 - if such goods or services are produced or available from a single provider only;
 - for the acquisition of special works of art or historical objects where specifications are difficult to compile;
 - acquisition of animals for zoos and/or nature and game reserves; or
 - in any other exceptional case where it is impractical or impossible to follow the official procurement processes; and
- ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.

	30 June 2011	30 June 2010
	R	R
Expenditure in emergency situations	1 776 243	5 256 529
Expenditure in respect of single service providers	7 233 045	25 496 000
Total value of expenditure	9 009 287	30 752 529

36 CAPITAL COMMITMENTS

36.1 Commitments in respect of capital expenditure

- Approved and contracted for	46 141 425	266 727 056
Infrastructure	46 141 425	251 287 212
Community	-	-
Other	-	15 439 844
- Approved but not yet contracted for		
Infrastructure	534 421 049	458 973 070
Total	580 562 474	725 700 126
This expenditure will be financed from:		
- Government Grants	580 562 474	710 260 282
- Own resources	-	15 439 844
	580 562 474	725 700 126

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES THE FINANCIAL STATEMENTS
For the period ended 30 June 2011

37 CONTINGENT LIABILITY

37.1	Claim for damages	14 999 554	10 328 804
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37.2 SCHEDULE OF CURRENT YEAR LISTING OF CONTINGENT LIABILITIES AS AT 30 JUNE 2010

NATURE OF CLAIM & COMMENCEMENT OF CLAIM	AMOUNT CLAIMED
Two claims have been lodged for failure to honour a cession agreement. Council is contesting the claim based on legal advice.	521 039
Summons from two separate service providers have been received for failure to honour contracts. On the basis of legal advice the municipality is contesting the claim.	8 315 654
Three claims have been lodged against the municipality. They are in lieu of services rendered. On the basis of legal opinion, the municipality is contesting the claims.	2 970 680
The municipality is being sued for breach of agreement resulting to loss of earnings. Municipality contested the claim and claimant is to withdraw the case.	2 000 000
The municipality is being sued for damages suffered in a motor accident that occurred. On the basis of legal opinion the municipality is contesting the claim.	200 000
The municipality is being sued for damages on the claimant's property. The municipality is contesting the claim	100 000
Six separate claims have been lodged for damage to telephone infrastructure. The municipality is contesting the claim.	433 633
Two separate claims have been lodged for the damage to motor vehicles. The municipality is contesting the claim	50 923
The municipality is being sued for failure to report a diseased employee to the provident fund for payment of proceeds. The municipality is contesting the claim	407 626
Claim for damages	14 999 554

The timing and amount of these contingent liabilities is uncertain as these will be determined by the courts.

38 RELATED PARTIES

38.1 Members of key management

Ncube AMM (Mr)	<i>Acting Municipal Manager</i>
Somana T (Mrs)	<i>Strategic Director: Planning and socio-Econ.Dev</i>
Nogaga T (Mr)	<i>Strategic Director: Corporate affairs</i>
Madikizela P (Mr)	<i>Political Advisor to Exec. Mayor</i>
Moleko M (Mr)	<i>Chief Finance Officer</i>
Mbatani N (Ms)	<i>Chief Operations Officer</i>
Mbiko L (Mr)	<i>Director - Internal Audit</i>
Tseane T (Mrs)	<i>Council Secretary</i>

38.2 Other related party relationships

O R Tambo Ntinga Development Agency (the Agency) *A Municipal entity wholly controlled by the Municipality*

The Agency (an Association Incorporated under Section 21 of the Companies Act, Act No.61, of 1973) established by the District Municipality to promote and implement sustainable Local Economic Development through a myriad of initiatives, programs and projects throughout the District. By its nature therefore, in turn the Agency has a number of standalone and semi-standalone projects and entities which they themselves become related parties to the District Municipality in their own right.

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES THE FINANCIAL STATEMENTS
For the period ended 30 June 2011

	30 June 2011	30 June 2010
	R	R
Related party balances		
Amount owing to O R Tambo Ntinga Development Agency at period end included in trade payables	<u>-</u>	<u>-</u>
Related party transactions		
O R Tambo Ntinga Development Agency: Grant Paid	43 029 203	80 225 879
Expenditure of farm operations	<u>8 562 268</u>	<u>926 864</u>

These transactions are recorded at arms length.

39 EVENTS AFTER THE REPORTING DATE

No material fact or circumstance has occurred between the accounting date and the date of this report.

40 RISK MANAGEMENT

40.1 Credit risk

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

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

O.R. TAMBO DISTRICT MUNICIPALITY
NOTES THE FINANCIAL STATEMENTS
For the period ended 30 June 2011

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

	30 June 2011	30 June 2010
	R	R
Cash and cash equivalents	146 955 781	64 979 050
Trade receivables from exchange transactions	16 710 240	11 903 678
Other receivables from non-exchange transactions	-	-
Other receivables from exchange transactions	2 736 324	1 333 130
	166 402 345	78 215 858

These balances represent the maximum exposure to credit risk.

The Municipality does not have collateral or other credit enhancements for its credit risk exposure from financial assets during the current or prior year. In addition, there were no instances during the current or prior year where the Group has taken possession of collateral it holds as security. There are no financial assets that would have been past due or impaired had the terms not been renegotiated for the current or prior year.

Financial assets that are individually impaired

The analysis of overall credit risk exposure indicates that the Municipality has trade receivables that are impaired at the reporting date.

The financial assets are analysed below:

	30 June 2011		
	Gross	Net	Impairment losses
Trade receivables	211 775 635	16 710 240	(195 065 395)
	211 775 635	16 710 240	(195 065 395)
	30 June 2010		
	Gross	Net	Impairment losses
	174 898 969	11 903 678	(162 995 291)
	174 898 969	11 903 678	(162 995 291)

41 RESTATEMENT OF COMPARATIVE INFORMATION

The prior year figures have been reclassified, as far as it is practicable, to comply with the current reporting requirements.

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES THE FINANCIAL STATEMENTS
 For the period ended 30 June 2011

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL
 42 EXPENDITURE DISALLOWED**

42.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -		
Fruitless and wasteful expenditure current year		8 627 217
Condoned or written off by Council		-
To be recovered – contingent asset		-
Fruitless and wasteful expenditure awaiting condonement		(8 627 217)
	-	-

Incident	Disciplinary steps / Criminal proceedings
Penalties and interest on late submission of P.A.Y.E. return Total penalties incurred amount to R347 347	N/A

42.2 Irregular expenditure

Reconciliation of irregular expenditure

Expenses	Amount
Expenditure where 3 quotes were not obtained: Bids awarded to providers different from the ones recommended by the bid evaluation committee. The minutes of the bid adjudication committee did not specify the reason for not taking the recommendation.	
Contracts awarded to bidders who did not have tax clearance certificates.	
Competitive bidding process was circumvented due to contract reviewed without retendering.	
Total	-

Incident	Disciplinary steps / Criminal proceedings
None	N/A

42.3 Unauthorised Expenditure

Expenditure	Actual	Budgeted	Excess
Housing projects	7 233 044	-	7 233 044
Total			7 233 044

O.R. TAMBO DISTRICT MUNICIPALITY
 NOTES THE FINANCIAL STATEMENTS
 For the period ended 30 June 2011

43 DISCLOSURE OF MATERIAL LOSSES	30 June 2011 R	30 June 2010 R
<p>As a water supplying authority, the municipality will inevitably incur customary water distribution losses, which occur in any water distributing municipality. These losses are due to burst water pipes, faulty water reticulation infrastructure and water evaporation. Further to these standard water losses, the municipality also suffered a further loss as a result of supplied water that was however not billed. Lastly as part of the developmental objectives of the municipality in line with prescriptions by National Government, the municipality also provided free basic water to urban based residents and free water to rural based communities in the form of public tap water services and water cartage services.</p>		
Total value of material losses in respect of water supply	13 025 785	15 040 320

44 Investment property

2011

Investment property	Opening fair value	Fair value adjustment	Closing fair value
	2 200 000	-	2 200 000

2010

Investment property	Opening fair value	Fair value adjustment	Closing fair value
	2 200 000	-	2 200 000

Investment property represents vacant land (Erf 1559) located in Port St Johns. A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2011. Revaluations were performed by an independent valuer, Mr Letlaka Ndamase. He is a Professional Associated Valuer (Registration number 5435) with a National Diploma in Property Valuation and is a member of the SA Institute of Valuers, from Valuation Network Property Valuers and consultants. Valuation Network Property Valuers and Consultants are not connected to the economic entity and have recent experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

OR TAMBO DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2011

45 STATEMENT OF BUDGET VERSUS ACTUAL INFORMATION

2010/11									
R thousands or R	Original Budget	Budget Adjustments	Virement	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
		<i>(i.t.o. s28 and s31 of the MFMA)</i>	<i>(i.t.o. Council approved by-law)</i>						
	1	2	3	4	5	6	7	8	9
Financial Performance									
Property rates				95 348 419	#VALUE!		#VALUE!	#VALUE!	#VALUE!
Service charges	95 348 419	0		95 348 419	#VALUE!		#VALUE!	#VALUE!	#VALUE!
Investment revenue	7 942 877	7 720 372		15 663 249	18 669 408				
Transfers recognised - operational	727 602 286	21 432 514		749 034 800	639 126 400		109 908 400	85%	88%
Other own revenue	92 478 007	(11 194 308)		81 283 699	91 679 522		(10 395 823)	113%	99%
Total Revenue (excluding capital transfers)	923 371 589	17 958 578		941 330 167	#VALUE!		#VALUE!	#VALUE!	#VALUE!
Employee costs	222 381 848	(13 622 468)		208 759 380	179 201 544		29 557 836	86%	81%
Remuneration of councillors	8 848 000	(418 098)		8 429 902	8 358 781		71 121	99%	94%
Debt impairment	29 000 000	-		29 000 000	58 112 922		(29 112 922)	200%	200%
Depreciation & asset impairment	140 000 000	-		140 000 000	138 498 691		1 501 309	0%	0%
Finance charges	-	-		-	91 301		(91 301)	0%	0%
Materials and bulk purchases	62 251 000	(1 804 855)		60 446 145	52 647 446		7 798 699	87%	85%
Transfers and grants	50 104 006	-		50 104 006	43 071 724		7 032 282	0%	0%
Other expenditure	550 786 735	33 804 000		584 590 735	#VALUE!		#VALUE!	#VALUE!	#VALUE!
Total Expenditure	1 063 371 589	17 958 579		1 081 330 167	#VALUE!	-	#VALUE!	#VALUE!	#VALUE!
Surplus/(Deficit)	(140 000 000)	(0)		(140 000 000)	#VALUE!		#VALUE!	#VALUE!	#VALUE!
Transfers recognised - capital	350 689 000	46 679 096		397 368 096	369 823 291		27 544 805	93%	105%
Contributions recognised - capital &	-	-		-	-		-	0%	0%
Surplus/(Deficit) after capital transfers &	210 689 000	46 679 096		257 368 096	#VALUE!		#VALUE!	#VALUE!	#VALUE!
Share of surplus/ (deficit) of associate	-	-		-	-		-	0%	0%
Surplus/(Deficit) for the year	210 689 000	46 679 096		257 368 096	#VALUE!	-	#VALUE!	#VALUE!	#VALUE!
Capital expenditure & funds sources									
Capital expenditure	350 688 726	46 679 370		397 368 096	369 823 291		27 544 805	0%	105%
Transfers recognised - capital	345 057 000	52 311 096		397 368 096	369 823 291		27 544 805	0%	107%
Public contributions & donations	-	-		-	-		-	0%	0%
Borrowing	-	-		-	-		-	0%	0%
Internally generated funds	5 632 113	(5 632 113)		-	-		-	0%	0%
Total sources of capital funds	350 689 113	46 678 983		397 368 096	369 823 291		27 544 805	0%	105%
Cash flows									
Net cash from (used) operating	416 726 244	(26 631 044)		390 095 200	#VALUE!		#VALUE!	#VALUE!	#VALUE!
Net cash from (used) investing	(398 199 113)	153 603 526		(244 595 587)	(298 379 957)		53 784 370	122%	75%
Net cash from (used) financing	-	-		-	(42 477)		42 477	0%	0%
Cash/cash equivalents at the year end	18 527 131	126 972 482		145 499 613	#VALUE!		#VALUE!	#VALUE!	#VALUE!

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O R TAMBO DISTRICT MUNICIPALITY
APPENDIX B: MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation									Accumulated Depreciation							Carrying Value
	Additions			Under construction			Closing Balance	Opening Balance	Prior year adjustment	Depreciation	Disposals	Impairment loss/ revaluation reversal	Other Adjustments	Closing Balance			
	Opening Balance	Prior period errors	Revaluations	Municipality	DWAF Donations	Disposals									Municipality	DWAF Donations	
R			R		R	R	R	R	R	R	R	R	R	R	R		
Land	39 404 387	-	-	-	-	-	-	39 404 387	3 654 386	-	-	-	-	-	3 654 386	35 750 001	
Buildings	111 340 206	(38 002 912)	-	8 100 459	-	-	-	81 437 753	10 595 628	-	3 901 059	-	-	-	14 496 687	66 941 066	
Infrastructure																	
Road Transport	372 542 093	3 953 261	-	15 187 896	-	-	3 686 029	395 369 278	245 297 298	-	21 143 490	-	-	-	266 440 788	138 928 490	
Sanitation	363 640 311	-	-	-	-	-	-	363 640 311	192 786 456	-	7 959 130	-	-	-	200 745 586	162 894 725	
Water Supply	4 215 064 972	119 308 220	-	21 999 610	-	-	243 779 132	4 670 015 544	1 145 171 240	-	93 271 099	-	-	-	1 238 442 339	3 431 573 205	
	4 951 247 376	123 261 481	-	37 187 506	-	-	247 465 161	69 863 610	5 429 025 134	-	122 373 720	-	-	-	1 705 628 714	3 723 396 420	
Other Assets																	
Parking area	3 754 466	-	-	-	-	-	-	3 754 466	3 629 979	-	-	-	-	-	3 629 979	124 487	
Park homes	477 338	-	-	-	-	-	-	477 338	35 996	-	-	-	-	-	35 996	441 342	
Fencing	1 045 391	-	-	-	-	-	-	1 045 391	1 045 381	-	-	-	-	-	1 045 381	10	
Security Systems	530 395	-	-	49 300	-	-	-	579 695	251 585	-	74 560	-	-	-	326 145	253 550	
Plant & Equipment	37 176 389	-	-	4 832 123	-	-	-	42 008 512	23 861 990	-	2 845 254	-	-	-	26 707 244	15 301 268	
Emergency Equipment	3 284 247	-	-	-	-	-	-	3 284 247	797 696	-	218 950	-	-	-	1 006 645	2 277 602	
Tools & Equipment	3 052 677	-	-	265 714	-	-	-	3 318 391	527 040	-	315 829	-	-	-	842 869	2 475 522	
Motor vehicles	11 054 345	-	-	335 622	-	-	-	11 389 967	6 127 186	-	2 265 137	-	-	-	8 392 323	2 997 644	
Furniture & Fittings	8 677 196	-	-	474 295	-	-	-	9 151 491	3 641 986	-	1 035 718	-	-	-	4 677 704	4 473 787	
Office Equipment	5 190 808	-	-	399 442	-	-	-	5 590 249	2 866 122	-	1 110 897	-	-	-	3 977 019	1 613 230	
Computer Equipment	8 972 720	-	-	850 059	-	-	-	9 822 779	4 398 593	-	1 871 447	-	-	-	6 270 040	3 552 739	
	83 215 972	-	-	7 206 555	-	-	-	90 422 527	47 173 554	-	9 737 791	-	-	-	56 911 345	33 511 182	
Total carried forward	5 185 207 940	85 258 569	-	52 494 520	-	-	247 465 161	69 863 610	5 640 289 801	-	136 012 570	-	-	-	1 780 691 132	3 859 598 669	

O R TAMBO DISTRICT MUNICIPALITY
APPENDIX B: MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation								Accumulated Depreciation						Carrying Value		
	Opening Balance	Prior year adjustments	Revaluations	Municipality	DWAF Donations	Disposals	Under Construction	Other Adjustment	Closing Balance	Opening Balance	Prior year adjustment	Depreciation	Disposals	Impairment loss		Other Adjustments	Closing Balance
	R			R		R	R		R	R		R	R	R		R	
Total brought forward	5 185 207 940	85 258 569	-	52 494 520	-	-	247 465 161	69 863 610	5 640 289 801	1 644 678 562	-	136 012 570	-	-	-	1 780 691 132	3 859 598 669
Heritage Assets																	
Paintings & Artifacts	90 000	-	-	-	-	-	-	-	90 000	-	-	-	-	-	-	-	90 000
Finance Lease Assets																	
Office Equipment	1 575 266	-	-	-	-	-	-	-	1 575 266	675 062	-	245 786	-	-	-	920 848	654 419
Total	5 186 873 206	85 258 569	-	52 494 520	-	-	247 465 161	69 863 610	5 641 955 067	1 645 353 624	-	136 258 356	-	-	-	1 781 611 980	3 860 343 087

O R TAMBO DISTRICT MUNICIPALITY
APPENDIX B: MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation								Accumulated Depreciation							Carrying Value		
	Opening Balance		Prior period errors	Revaluations	Additions		Under construction		Closing Balance	Opening Balance		Prior year adjustment	Depreciation	Disposals	Impairment loss/ revaluation reversal		Other Adjustments	Closing Balance
	R			R	DWAF Donations	Disposals	R	DWAF Donations	R	R			R	R	R			R
Land	47 945 554	-	250 000	-	-	-	-	-	48 195 554	10 345 553	-	-	-	-	2 100 000	-	12 445 553	35 750 001
Buildings	92 349 992	-	6 217 333	294 162	-	-	-	12 478 719	111 340 206	7 235 567	-	-	-	-	-	-	10 595 628	100 744 578
Infrastructure																		
Road Transport	303 780 450	30 015 909	-	8 099 295	-	-	-	30 646 440	372 542 094	122 073 973	-	-	-	-	-	-	245 297 298	127 244 796
Sanitation	363 640 311	-	-	-	-	-	-	-	363 640 311	192 786 456	-	-	-	-	-	-	192 786 456	170 853 855
Water Supply	3 903 434 276	78 015 675	-	17 971 902	32 271 223	-	-	90 839 588	4 215 064 972	1 145 171 241	-	-	-	-	-	-	1 145 171 241	3 069 893 731
	4 570 855 037	108 031 584	-	26 365 358	32 271 223	-	-	121 486 028	4 951 247 377	1 460 031 670	-	-	-	-	-	-	1 583 254 995	3 367 992 382
Other Assets																		
Parking area	3 754 467	-	-	-	-	-	-	-	3 754 467	3 332 860	-	297 119	-	-	-	-	3 629 979	124 488
Park homes	477 338	-	-	-	-	-	-	-	477 338	4 173	-	31 823	-	-	-	-	35 996	441 342
Fencing	1 045 391	-	-	-	-	-	-	-	1 045 391	1 045 381	-	-	-	-	-	-	10	10
Security Systems	510 542	-	-	19 853	-	-	-	-	530 395	180 169	-	71 416	-	-	-	-	251 585	278 810
Plant & Equipment	32 707 219	1 903 000	-	2 566 170	-	-	-	-	37 176 389	21 056 323	214 088	2 422 588	-	168 992	-	-	23 861 990	13 314 359
Emergency Equipment	2 475 971	-	-	808 276	-	-	-	-	3 284 247	612 408	-	175 288	-	-	-	-	787 696	2 496 552
Tools & Equipment	1 531 446	-	-	1 521 231	-	-	-	-	3 052 677	291 992	-	235 048	-	-	-	-	527 040	2 525 637
Motor vehicles	11 308 407	(1 321 570)	-	1 067 508	-	-	-	-	11 054 345	4 299 322	(294 300)	2 059 708	-	62 456	-	-	6 127 186	4 927 159
Furniture & Fittings	7 804 001	-	4 823	808 372	-	-	-	-	8 677 196	2 617 558	3 216	1 021 212	-	-	-	-	3 641 986	5 035 210
Office Equipment	5 050 847	-	-	139 961	-	-	-	-	5 190 808	1 681 219	-	1 184 904	-	-	-	-	2 866 123	2 324 685
Computer Equipment	6 776 696	-	-	2 196 024	-	-	-	-	8 972 720	2 736 413	-	1 657 115	-	5 065	-	-	4 398 593	4 574 127
	73 442 325	586 253	-	9 187 394	-	-	-	-	83 215 973	37 857 818	(76 996)	9 156 221	-	236 513	-	-	47 173 555	36 042 417
Total carried forward	4 784 592 908	99 826 670	6 497 333	35 258 591	32 271 223	-	-	131 964 748	5 193 999 110	1 515 470 608	(76 996)	135 386 271	-	589 848	2 100 000	-	163 469 731	3 540 529 379

APPENDIX B: MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation									Accumulated Depreciation						Carrying Value	
	Opening Balance R	Prior year adjustments	Revaluations	Municipality R	DWAF Donations R	Disposals R	Under Construction R	Other Adjustment	Closing Balance R	Opening Balance R	Prior year adjustments	Depreciation R	Disposals R	Impairment loss R	Other Adjustments		Closing Balance R
Total brought forward	4 784 592 908	108 617 837	6 467 333	35 846 915	32 271 223	-	133 964 748	92 532 308	5 793 999 110	1 515 470 608	(76 996)	135 386 271	-	589 948	2 100 000	1 654 469 731	3 540 529 379
Heritage Assets																	
Paintings & Artifacts	90 000	-	-	-	-	-	-	-	90 000	-	-	-	-	-	-	-	90 000
Finance Lease Assets																	
Office Equipment	667 316	26 160	-	881 790	-	-	-	1 575 266	472 620	11 469	190 973	-	-	-	675 062	900 204	
Total	4 785 350 224	108 643 997	6 467 333	36 728 705	32 271 223	-	133 964 748	92 532 308	5 795 664 376	1 515 943 228	(65 527)	135 577 244	-	589 948	2 100 000	1 654 144 793	3 541 519 583

O R TAMBO DISTRICT MUNICIPALITY
APPENDIX C: MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation								Accumulated Depreciation							
			Additions			Under construction										
	Opening balance	Prior year adjustment	Revaluation Amount	Municipality	DWAF donations	Municipality	DWAF donations	Other Adjustments	Closing Balance	Opening Balance	Depreciation	Reversal of revaluation	Impairment	Other Adjustments	Closing Balance	Carrying value
	R		R	R		R			R	R	R	R		R	R	
Executive & Council	15 513 284	-	-	278 955	-	-	-	-	15 792 240	11 720 868	2 133 314	-	-	-	13 854 182	1 938 058
Finance & Admin	105 625 597	(38 002 912)	-	10 966 836	-	-	-	-	78 589 521	18 882 873	5 464 875	-	-	-	24 348 748	54 240 773
Planning & Development	43 328 944	-	-	-	-	-	-	-	43 328 944	5 513 023	1 296 919	-	-	-	6 809 942	36 519 002
Health	1 585 010	-	-	-	-	-	-	-	1 585 010	1 023 260	154 976	-	-	-	1 178 236	406 774
Community & Social Services	3 384 577	-	-	-	-	-	-	-	3 384 577	2 671 048	330 832	-	-	-	3 001 880	382 697
Public Safety	4 967 997	-	-	738 982	-	-	-	-	5 706 979	2 436 465	509 182	-	-	-	2 945 647	2 761 332
Road Transport	1 770 702	-	-	-	-	-	-	-	1 770 702	1 305 614	261 243	-	-	-	1 566 857	203 845
Water & Sanitation	30 358 429	-	-	3 322 241	-	-	-	-	33 710 670	17 056 281	2 736 679	-	-	-	19 792 961	13 917 709
Infrastructure	4 951 247 376	123 261 481	-	37 187 506	-	247 465 161	69 863 610	-	5 429 025 134	1 583 254 994	122 373 720	-	-	-	1 705 628 714	3 723 396 420
Housing	92 784	-	-	-	-	-	-	-	92 784	9 804	17 940	-	-	-	27 743	65 041
Public Works	13 329 932	-	-	-	-	-	-	-	13 329 932	135 121	576 083	-	-	-	711 204	12 618 728
Other Functions	2 031 950	-	-	-	-	-	-	-	2 031 950	1 621 682	156 805	-	-	-	1 778 487	253 463
Leased assets	1 575 266	-	-	-	-	-	-	-	1 575 266	675 062	245 786	-	-	-	920 488	654 417
Total	5 174 841 847	85 258 569	-	52 494 520	-	247 465 161	69 863 610	-	5 629 923 707	1 646 307 094	136 258 355	-	-	-	1 782 565 450	3 847 358 257

OR TAMBO DISTRICT MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

2010	2010	2010		2011	2011	2011
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
3 786 278	68 811 517	(65 025 239)	Executive & Council	3 265 724	61 674 856	(58 409 132)
500 661 704	160 274 681	340 387 023	Finance & Admin	620 416 809	283 377 950	337 038 859
3 752 861	103 298 852	(99 545 991)	Planning & Development	1 556 795	67 275 174	(65 718 379)
3 381 662	2 399 547	982 115	Health	2 000	2 971 688	(2 969 688)
-	6 179 091	(6 179 091)	Community & Social Services	7 946 869	8 051 263	(104 393)
8 823 286	18 236 900	(9 413 614)	Public Safety	1 258 447	16 565 793	(15 307 347)
-	2 782 010	(2 782 010)	Sport & Recreation	563	2 303 935	(2 303 373)
-	2 742 717	(2 742 717)	Environmental Protection	-	7 839 826	(7 839 826)
34 941 728	32 596 441	2 345 287	Road Transport	1 066 525	1 233 106	(166 581)
523 098 815	558 958 225	(35 859 410)	Water	581 170 530	397 096 895	184 073 635
8 723 746	17 143 590	(8 419 844)	Other	8 660 294	6 258 138	2 402 157
1 087 170 081	973 423 572	113 746 509		1 225 344 556	854 648 624	370 695 931
1 087 170 081	973 423 572	113 746 509	Total	1 225 344 556	854 648 624	370 695 931

O.R. TAMBO DISTRICT MUNICIPALITY
APPENDIX G
DETAILED SCHEDULE OF CONDITIONAL GRANTS AND RECEIPTS

Grant name	Opening opening balance 01 July 2010	Current year receipts	Revenue Expenditure	Capital Expenditure	Prior Year Adjustment	Closing balance (Unutilised funds) 30 June 2011
NATIONAL GRANTS						
Aids Training Information and Counsel Fund	(838 556)	(3 092 760)	2 038 265	-	-	(1 893 051)
BSRP Projects	(693 934)	-	-	-	-	(693 934)
CBPWP	(43 251)	-	-	-	-	(43 251)
Community Development Workers' Fund	(359 216)	-	588 025	-	-	228 809
KDC Disaster Management	(294 099)	0	-	-	-	(294 099)
DWAF Projects	(1 953 697)	(19 027 000)	71 246 304	-	-	50 265 607
Establishment Fund (Grants Received)	(2 284 779)	(2 128 432)	-	-	-	(4 413 212)
Financial Management Grant	14 536	(1 000 000)	985 464	-	-	0
Fire and Emergency	(432 419)	-	-	-	-	(432 419)
HIV / AIDS Programme	(65 732)	-	-	-	-	(65 732)
IFESH	(51 095)	-	-	-	-	(51 095)
Income Generating Projects	(505 668)	-	-	-	-	(505 668)
Intergrated Development Fund	(499 599)	-	270 378	-	-	(229 221)
Intergrated Transport Fund	(6 761)	-	842 806	-	-	836 045
IRDP Project Fund	(959 230)	-	-	-	-	(959 230)
Job Evaluation Fund	4 664	-	-	-	-	4 664
LGWSETA	(89 262)	-	-	-	-	(89 262)
LG SETA	(955 744)	-	-	-	-	(955 744)
Libraries and Information Fund	(2 821 722)	(4 100 000)	3 098 450	736 528	-	(3 086 744)
Mbizana Drought Relief Fund	(13 212)	-	-	-	-	(13 212)
MIG Fund	30 530 576	(570 955 000)	295 326 847	143 534 344	-	(101 563 234)
MSIG Projects	(63 650)	(1 000 000)	1 063 650	-	-	(0)
Rural anti-poverty	59 805	-	-	-	(59 805)	-
SIP Fund	(385 599)	-	-	-	385 599	-
SPU Youth Development Project Fund	(168 270)	-	-	-	-	(168 270)
Survey and Planning Project	(20 561)	-	-	-	-	(20 561)
Training Funds	-	-	3 197	-	-	3 197
Transport Infrastructure	(1 324 300)	-	-	-	1 324 300	-
Water Services Business Plan Implimentation	50 830	-	-	-	(50 830)	-
REFURBISHMENT OF SEWERAGE PUM	(2 256 546)	-	9 195 167	-	-	6 938 621
Umzintlava / Qhinqolo Fund	(2 585 037)	-	-	-	-	(2 585 037)

Assessment For River Health	(916 355)	-	-	-	-	(916 355)
District Aids Council	(150 000)	-	-	-	-	(150 000)
Capacity Building Training Grant	(148 330)	-	-	-	-	(148 330)
Capacity Building	-	-173 661	-	-	-	(173 661)
Cape Town Disaster Fund	(27 102)	-	-	-	-	(27 102)
Disaster Relief Fund	(25 558)	-	-	-	25 558	-
Emfundisweni Bed and Breakfast	(118 861)	-	-	-	118 861	-
First Call Account Fund	(4 016)	-	-	-	4 016	-
Information and Energy Centre	(2 115)	-	-	-	(2 115)	(4 230)
Institutional Training	(724 998)	-	-	-	-	(724 998)
Investment Site Profiling Mapping	(103 283)	-	-	-	103 283	-
ISRDP Beef Project	(13 206)	-	-	-	13 206	-
ISRDP Development Fund	(301 062)	-	-	-	301 062	-
Land Survey Projects Fund	(86 960)	-	-	-	-	(86 960)
Langeni Development (Singisi Forest)	(79 555)	-	-	-	79 555	-
LED DEAET	(2 510 252)	-	273 774	-	-	(2 236 478)
LED Strategy Fund	(212 798)	-	-	-	-	(212 798)
Masimanyane Fund	(117 398)	-	-	-	117 398	-
Ntabankulu Dam, Hotel and Recreation	(1 120 455)	-	-	-	-	(1 120 455)
ORTDM Sugar Association	(1 354)	-	-	-	-	(1 354)
Siyaphambili Woodworkers Cooperative	(49 954)	-	-	-	49 954	-
Spatial Development	8 618	-	-	-	-	8 618
Spatial Planning Fund	(9 862)	-	-	-	-	(9 862)
Valuations Projects Fund	(179 570)	-	-	-	179 570	-
Vulindlela DBSA	(472 707)	-	-	-	-	(472 707)
	3 621 338	(601 476 853)	384 932 326	144 270 872	2 589 612	(66 062 706)

PROVINCIAL GRANTS						
Coffee Bay Grant	-	(107 528)	175 771			68 243
Eagerton Housing Fund	(602 098)	(1 536 381)	1 833 180	-	-	(305 299)
Hadini Housing Fund	2 568 517	(617 430)	1 747 563	-	-	3 698 650
Kwam Womens Movement	(135 023)	-	513 060	-	-	378 037
Kwenxurha Rural Housing Fund	517 363	-	-	-	-	517 363
Lindile Housing Fund	(1 318 860)	-	-	-	-	(1 318 860)
Mantlaneni Rural Housing Fund	(510 447)	(1 167 639)	1 734 348	-	-	56 262
Mpeko Rural Housing Fund	(435 664)	-	-	-	-	(435 664)
Ncambele Rural Housing Fund	(31 216)	-	-	-	-	(31 216)
Ndlunkulu Rural Housing Fund	(514 146)	(342 159)	-	-	-	(856 305)
New Payne Rural Housing Fund	234 224	-	665 345	-	-	899 569
Ngqwala Rural Housing Fund	489 128	-	16 550	-	-	505 678
Nkonzo Rural Housing Fund	278 340	(213 996)	581 887	-	-	646 231
Nqabeni Housing Projects Grant	-	(1 467 739)	1 248 176			(219 563)
Ntshabeni Rural Housing Fund	(804 309)	-	-	-	-	(804 309)
Payne Rural Fund	(463 233)	(474 575)	-	-	-	(937 808)
Preston Housing Fund	(765 163)	-	-	-	-	(765 163)
Upper Centuli Fund	187 979	-	-	-	-	187 979
Upper Tabase Fund	51 661	-	-	-	-	51 661
Wild Coast Fishing Fund	(194 916)	-	118 300	-	-	(76 616)
Zidindi Rural Fund	819 868	-	-	-	-	819 868
	(627 996)	(5 927 446)	8 634 180	-	-	2 078 738
Public Contributions						
Mbizana Extension 4 Fund	4 628 500	-	-	-	-	4 628 500
Umtata Community Arts Fund	(49 907)	-	523 185	-	-	473 278
	4 578 593	-	523 185	-	-	5 101 778
Total conditional grants	7 571 934	(607 404 300)	394 089 691	144 270 872	2 589 612	(58 882 190)

