MOTHEO DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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Country of incorporation and domicile	South Africa
Nature of operations and principal activities	Providing a variety services and maintaining the best interests of the local community mainly in the Motheo area.
Legal form	An organ of state within the local sphere of government exercising legislative and executive authority.
Jurisdiction of entity	Area DC17, as a district municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for DC17.
Executive Mayor	Clr. ME Moilwa
Councillors and their portfolios	**Speaker:** Clr. JC Erasmus **Deputy Executive Mayor:** None. **Councillor Members of The Mayoral Committee:** Clr. VS Rani Clr. IB Ntlathi Clr. JP Van der Merwe Clr. XD Pongolo Clr. EK Goliath Clr. LR July Clr. MC Molangoanyane Clr. J Matsoetlane Clr. ME Ncwada **Council Whip:** Clr. MA Moeng **Councillors of the Council:** Clr. W J D Van Aswegen Clr. P J Scott Clr. M A Oganne Clr. M M Maele Clr. L E Letlaka Clr. N B Dimbaza Clr. P C Pelser Clr. Q A De Bruyn Clr. M A Malakane Clr. S M Visagie Clr. S A Monnakgori Clr. L S Lebese Clr. G Thipenyane Clr. D M Ramahaha Clr. Z G Sokoyi Clr. MM Mahase
Partime Councillors	Clr. MS Khutlane Clr. KO Mokone Clr. ME Dennis Clr. GK Saohatse Clr. PJ Van Biljon Clr. JS Human Clr. SN Soebehle Clr. AL Toba Clr. MA Seeco Clr. TM Ramona Clr. JD Powell

Councillors and their portfolios	Clr. VS Rani - Local Economic Development and Tourism Clr. IB Ntlathi Corporate Services, Policy and Governance Clr. JP Van der Merwe - Finance and IDP Clr. XD Pongolo - Infrastructure Clr. EK Goliath - Social Development Clr. LR July - Health Clr. M C Molangoanyane - Rural Development Clr. M J Matsoetlane - Special Programmes Clr. MA Ncwada - Disaster Management and Environment
Registered office	Bram Fischer Building Cnr Nelson Mandela and Markgraaff Bloemfontein 9301
Business address	Provideamus Building 184 Nelson Mandela Drive Bloemfontein 9301
Postal address	P.O. Box 3667 BLOEMFONTEIN 9300
Bankers	Standard Bank of South Africa Limited
Auditors	The Office of the Auditor-General: South Africa
Acting Municipal Manager	Mr. WH Boshoff
Attorneys	Friday Management Solutions Mabalane Seobe Attorneys Messrs Naudes The Guardian Group Louvius Bloc Attorneys
Debt Collectors	Messrs Naudes Messrs Phatshoane Henny Inc
Grading of local authority	Motheo District Municipality is a Grade 4 District Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act,1998.
Relevant Legislation	The Constitution of the Republic of South Africa. The Municipal Structures Act, No.117 of 1998 The Municipal Systems Act, No. 32 of 2000 The Municipal Finance Management Act, No. 56 of 2003 The Municipal Property Rates Act, No. 6 of 2004 The Basic Condition of the Eployment Act 75 of 1997 The Vat Act 89 of 1991 The Skill Development Act 9 of 1999 The Water Service Act 108 0f 1997 The Housing Act of 1997 The Promotion of Access to Information Act 2 of 20000 The Disaster Management Act 57 of 2000

MOTHEO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011	Restated 2010
		R	R
ASSETS			
Non-current assets		**9 892 085**	**9 677 013**
Property, plant and equipment	1	2 742 085	2 727 013
Investment Property	2	7 150 000	6 950 000
Non-current receivables	3	-	-
Current assets		**82 075 366**	**85 506 611**
Consumer receivables from exchange transactions	4	-	-
Other receivables from exchange transactions	5	1 729 382	1 408 115
Current portion of non-current receivables	4	-	467
Vat Receivable	6	1 846 307	1 805 653
Cash and cash equivalents	7	78 499 677	82 292 376
Total assets		**91 967 451**	**95 183 624**
NET ASSETS AND LIABILITIES			
Net assets		**82 357 121**	**50 475 919**
Accumulated surplus/(deficit)		82 357 121	50 475 919
LIABILITIES			
Non-current liabilities		**254 630**	**27 831 126**
Non-current borrowings	8	-	27 726 217
Finance lease liability	30	254 630	104 909
Current liabilities		**9 355 700**	**16 876 579**
Payables from exhange transactions	9	7 608 229	11 350 566
Payables from non-exchange transactions	10	18 595	7 162
Unspent conditional grants and receipts	11	1 362 971	471 727
Current portion of non-current borrowings	8	-	4 764 534
Finance lease liability	30	365 905	282 590
Total net assets and liabilities		**91 967 451**	**95 183 624**

MOTHEO DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	Restated 2010 R
REVENUE			
Service charges	12	-	338
Rental of facilities and equipment	13	991 535	918 088
Interest earned	14	6 895 488	6 776 531
Government grants and subsidies	15	153 622 274	144 483 897
Other income	16	202 267	279 604
Total revenue		**161 711 564**	**152 458 458**
EXPENDITURE			
Employee related costs	17	51 247 408	52 489 380
Remuneration of councillors	18	7 559 812	8 076 144
Bad debts		-	53 743
Depreciation and amortisation		552 494	634 173
Repairs and maintenance	22.1	683 365	877 566
Finance costs	19	3 159 079	4 470 396
Grants and subsidies paid	20	26 562 257	21 291 401
General expenses	21	40 265 950	38 613 731
Total expenditure		**130 030 365**	**126 506 534**
Fair value adjustment investment property		200 000	77 484
SURPLUS FOR THE YEAR	22	**31 881 199**	**26 029 408**

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

	Accumulated Surplus/ (Deficit) R	Total R
Balance at 30 June 2009	***24 142 237***	***24 142 237***
Surplus for the year - Restated	26 029 408	26 029 408
Write off consumer receivables from exchange transactions	(266)	(266)
As previously stated	(266)	(266)
Correction of error	-	-
Write off trade and other payable exchange transactions	287 601	287 601
As previously stated	287 601	287 601
Correction of error	-	-
Correction of other receivables from exchange transactions	60 713	60 713
As previously stated	-	-
Correction of error	60 713	60 713
Correction of vat refundable	(43 927)	(43 927)
As previously stated	-	-
Correction of error	(43 927)	(43 927)
Correction of service levy income	153	153
As previously stated	-	-
Correction of error	153	153
Balance 30 June 2010	**50 475 919**	**50 475 919**
Surplus for the year	31 881 199	31 881 199
Balance at 30 June 2011	***82 357 118***	***82 357 118***

MOTHEO DISTRICT MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	Restated 2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		153 462 620	144 654 535
Cash paid to suppliers and employees		127 972 016	92 345 379
Cash generated from operations	**23**	**25 490 604**	**24 835 131**
Interest received		6 895 488	6 776 531
Interest paid		(3 159 079)	(4 470 396)
NET CASH FLOW FROM OPERATING ACTIVITIES		**29 227 013**	**27 141 266**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(886 314)	(452 883)
Proceeds from sale of property, plant and equipment		127 600	90 130
Decrease in non-current receivables		467	307 339
Decrease/(increase) in non-current investments		-	-
Decrease in current investments		-	-
NET CASH FLOW FROM INVESTING ACTIVITIES		**(758 247)**	**(55 414)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(32 490 751)	(4 303 270)
Finance lease (payments)		(28 030)	(53 923)
Increase in finance lease obligations		257 316	325 943
NET CASH FLOW FROM FINANCING ACTIVITIES		**(32 261 465)**	**(4 031 250)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(3 792 699)**	**23 054 602**
Cash and cash equivalents at the beginning of the year		82 292 376	59 237 774
Cash and cash equivalents at the end of the year	24	78 499 677	82 292 376

Accounting Policies

1. Presentation of annual financial statements

Motheo District Municipality ("the municipality") is a local government institution in city of Bloemfontein in the Motheo District. The address of its registered office, principal place of business and its principal activities are disclosed under "General Information" in the annual report.

2. Presentation of annual financial statements

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 31st 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:

- financial instruments at fair value through profit or loss are measured at fair value with gains and losses recognised in surplus or deficit
- available-for-sale financial assets are measured at fair value
- biological assets are measured at fair value less costs to sell
- investment property is measured at fair value; and
- the defined benefit liability is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation

Property, plant and equipment, heritage assets, investment property and intangibles measured at deemed cost, using fair value at the date of adopting the relevant Standards of GRAP (refer to transitional provisions below for Directive 7)

Accounting policies for material transactions, events or conditions not covered by the Standards of 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 municipality applied the following transitional provisions in accordance with ASB Directive DIRECTIVE 4:

GRAP 1 Presentation of Financial Statements [DIRECTIVE 4]

All provisions of GRAP 1 have been applied except in relation to items that have not been recognised or measured in accordance with other GRAP standards as a result of the transitional provisions listed below.

GRAP 16 Investment properties [DIRECTIVE 4]

All changes resulting from the application of GRAP 16 have been applied retrospectively.

The municipality has applied the three year exemption for measuring investment property, including those acquired in a transfer of functions, in accordance with GRAP 16. Investment properties have been identified and recognised separately from property, plant and equipment. The fair value amounts presented in the statement of financial position are provisional.

The following measurement period adjustments have been recognised during the reporting period:

- Fair value adjustment of R77,484 (R524,628 in 2009).

The following investment properties, which were not measured in accordance with GRAP 16 in the previous reporting period, are now measured in accordance with GRAP 16:

- Medical Officer of Health Building, Erf 635, 7 De Villiers street, Bloemfontein.

The municipality has obtained a valuation of investment property at 30 June 2010 and intends to repeat the process during the next two financial years. Full compliance is expected by the end of June 2012.

GRAP 17 Property, plant and equipment [DIRECTIVE 4]

All changes resulting from the application of GRAP 17 have been accounted for retrospectively. The municipality has applied the three year exemption for measuring property, plant and equipment, including those acquired in a transfer of functions, in accordance with GRAP 17.

The depreciation expense had been recognised on other and leased assets and a fixed asset register is has been compiled. The municipality has completed the process of identifying separate components of property, plant and equipment. The carry amounts of certain items of office equipment, furniture and fittings as presented in the statement of financial position are provisional.

The following classes of property, plant and equipment, which were not measured in accordance with GRAP17 in the previous reporting period, are now measured in accordance with GRAP 17:

- Office equipment.
- Furniture and fittings.
- Motor vehicles.

The municipality will endeavor to obtain information to determine the purchase prices of the items included under office equipment, furniture and fittings at provisional carry amounts, failing which a valuator will be appointed to determine the value of these items. Full compliance is expected by the end of June 2011.

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.

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 judgments

The preparation of financial statements in conformity with GRAP requires management to make judgments, 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 judgments 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 judgments 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 in note 2.22.

2.7 Property, plant and equipment

Refer to note 2.2 for details of the transitional provisions applied during the financial year. The policy set out below has been applied only to the extent that the requirement is not covered by the relevant transitional provision.

Refer note 3 for details of the change in accounting policy resulting from the first time adoption of GRAP 17 Property, plant and equipment in accordance with the transitional provisions set out in note 2.2.

Initial recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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.

Where an item of property, plant 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, it’s deemed cost is the carrying amount of the asset given up.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

When the use of a property changes from owner-occupied to investment property carried at fair value using the fair value model, the property is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is treated in the same way as a revaluation in terms of GRAP 17 as follows:

- any resulting decrease in the carrying amount of the property is recognised in surplus or deficit. However, to the extent that an amount is included in a revaluation surplus for that property, the decrease is charged against that revaluation surplus.
- any resulting increase in the carrying amount is treated as follows:
- to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in surplus or deficit. The amount recognised in surplus or deficit does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised.
- any remaining part of the increase is credited directly to the revaluation surplus in net assets. On subsequent disposal of the investment property, the revaluation surplus included in net assets may be transferred to accumulated surpluses or deficits. The transfer from revaluation surplus to accumulated surpluses or deficits is not made through surplus or deficit.

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

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.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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.

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

Subsequent cost

The cost of replacing a part of an item of property, plant 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, plant 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, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Heritage assets and land are not depreciated.

Rehabilitation costs capitalised to the cost of landfill sites are written off on a straight-line basis over the estimated useful lives of the sites.

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**
Other Assets	
• Office equipment	3 years
• Furniture and fittings	7 years
• Motor vehicles	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.

Spare parts

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

Derecognition

An item of property, plant 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, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other revenue 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, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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.

2.8 Investment property

Refer note 3 for details of the change in accounting policy resulting from the first time adoption of GRAP 16 Investment Property in accordance with the transitional provisions set out in note 2.2.

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.

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.

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.

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.

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.

2.9 Financial instruments

Classification

The municipality classifies financial instruments, or their component parts, on initial recognition as financial assets, a 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 (including assets designated at fair value through profit or loss) 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 municipality is recognised as a separate asset or liability.

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**
Investments in fixed deposits (banking institutions, etc)	Held-to-maturity
Trade and other receivables from exchange transactions (consumer debtors)	Loans and receivables
Short-term investment deposits	Held-to-maturity
Cash and cash equivalents	Loans and receivables

Current portion of non-current receivables	Loans and receivables
Vat receivable	Loans and receivables

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- They are classified as held for trading; or
- Upon initial recognition they are designated as at fair value through profit or loss.

Financial assets are designated as at fair value through profit or loss if the municipality manages such investments and makes purchase and sale decisions based on their fair value in accordance with the municipality's documented risk management or investment strategy.

Financial assets at fair value through profit or loss are measured initially and subsequently at fair value and gains and losses arising from changes in fair value are recognised in surplus or deficit for the period. Transaction costs are recognised in surplus or deficit.

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.

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.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity. Held-to-maturity investments are initially recognised at fair value plus direct transaction costs. At subsequent reporting dates, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the municipality from classifying investment securities as held-to-maturity for the current and the following two financial years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or that are not classified in any of the previous categories. Available-for-sale financial assets are initially measured at fair value plus direct transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale monetary items, are recognised in net assets and presented in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in net assets is transferred to surplus or deficit.

Non-derivative financial liabilities

The municipality initially recognises financial liabilities, including liabilities designated at fair value through surplus or deficit, 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:

- Loans and borrowings
- Trade and other payables from exchange transactions
- Current portion of loans and borrowings
- Unspent conditional grants and receipts

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.

Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Financial guarantee contracts

Financial guarantees are contracts that require the municipality to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee becomes probable. Financial guarantees are included in other liabilities.

The municipality does not account for financial guarantee contracts under IFRS 4 Insurance Contracts.

2.10 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 generally determined using the first-in-first-out principle except where stated otherwise.

Subsequent measurement

Consumable stores, raw materials, work-in-progress and finished goods 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.

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.

2.11 Impairment

Financial assets

A financial asset, not carried at fair value through profit or loss, 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.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment.

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 judgment 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.

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that has been recognised in net assets, and presented in the fair value reserve, to surplus or deficit. The cumulative loss that is removed from the fair value reserve and recognised in surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in surplus or deficit. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in surplus or deficit, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in net assets.

Impairment losses are not subsequently reversed for equity instruments which are carried at cost because fair value was not determinable.

Non-financial assets

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.

The carrying amounts of the municipality's cash generating non-financial assets, other than inventories, 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. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated annually.

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 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 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 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.

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.

Non-cash-generating assets

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

2.12 Revenue

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

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.

Interest, royalties and dividends

Interest earned and rentals received

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.

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

Dividends

Dividends are recognised on the date that the municipality’s right to receive the dividend has been established.

Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing managerial involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from non-exchange transactions

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.

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 recovery thereof from the responsible councillors or officials is virtually certain.

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 the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria had been met, as assets in the reporting period in which they are received or receivable.

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.

2.13 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.

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.

2.14 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.

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 asset to the extent that a cash refund or a reduction in future payments is available.

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.

The municipality contributes to various national-and provincial-administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer plans and are accounted for as defined contribution plans as there is no consistent and reliable basis available for allocating the obligation, plan assets and cost to individual municipalities participating in the plan. The contributions to fund obligations for the payment of retirement benefits are expensed in the year it becomes payable. These multi-employer plans are actuarially valued annually on a national-or provincial level using the projected unit credit method. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Termination benefits

Termination benefits are recognised as an expense when the municipality is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the municipality has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

2.15 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.

Finance leases - municipality as lessee

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. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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 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 account for in accordance with the accounting policy applicable to that asset.

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.

Operating leases - municipality as lessee

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.

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.

2.16 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.

2.17 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.

2.18 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 and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.19 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 until it is recovered or written off as irrecoverable.

2.20 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 until such expenditure is recovered or written off as irrecoverable.

2.21 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 x.

2.22 Accounting estimates and judgments

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.

Provisions

The provisions raised by the municipality are detailed in note 9. These provisions represent management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Fair value estimation

The fair value information presented by the municipality in note 2 requires the application of valuation techniques and assumptions based on market conditions existing at the end of the reporting period. The actual fair values may differ from those estimated.

Critical judgments in applying accounting policies

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio have either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

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 judgment. 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.

Identification of impairment indicators

Management is required to make judgments concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The municipality applies the impairment assessment to its assets or separate cash generating units. This requires management to make significant judgments and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgment is also required when assessing whether a previously recognised impairment loss should be reversed.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows

2.23 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method. Dividend income is recognised in surplus or deficit on the date that the municipality's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. Borrowing costs are recognised in surplus or deficit using the effective interest method.

3. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the municipality as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the municipality.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 7: Investments in Associates

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investor must exercise judgment in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method.

The initial application of GRAP 7 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 8: Interests in Joint Ventures

GRAP 8 uses a different definition for joint venture and joint control – contractual arrangement has been replaced by binding arrangement (public sector amendment) – public entities need to review current arrangements to determine whether they fall within the scope of GRAP 8 as a result of the public sector amendment.

Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

GRAP 8 incorporates guidance adopted from SIC13 on Non-monetary Contributions by ventures issued by the IASB i.e. provisions for accounting for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity that is accounted for using either the equity method or proportionate consolidation. (Par.57-62).

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the municipality receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the municipality, and the municipality can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 11: Construction Contracts

The definition for "construction contract" was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for "cost plus or cost based contract" has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the municipality would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories 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.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The impact of the standard is not material.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the municipality has contravened these legislative requirements, the municipality is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

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

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

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. “Non-cash-generating assets” are assets other than cash-generating assets and “value in use of a non-cash-generating asset” is the present value of the asset’s remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a controlled entity acquired exclusively with a view to resale.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The impact of the standard is not material.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the municipality’s use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

Asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This Standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment. This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

4.1 Standards issued and not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective:

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance. The effective dates are currently unknown. International Financial Reporting Standards will be applied from the effective date of the Standard 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 to management.

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 that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

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

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.

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

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.

The impact of this standard is currently being assessed.

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 means 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.

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

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

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

The municipality expects to adopt the interpretation for the first time in the 2011 annual financial statements.

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

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 of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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 of a revalued cash-generating asset is treated as a revaluation decrease.

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

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
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.
- GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

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

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

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

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 distinguished between those financial instruments carried at fair value and those at amortised cost.

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

IFRIC 14: IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements - Amendment - Prepayments of minimum funding requirements

The amendments to IFRIC 14 (AC 447) address the accounting treatment for prepayments made when there is a minimum funding requirement.

The amendment is 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.

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

IAS 39: Financial Instruments: Recognition and Measurement - Amendment - Treating loan prepayment facilities as closely related embedded derivatives

The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated. If an exercise price of an embedded prepayment option reimburses the lender for an amount not exceeding the approximate present value of the lost interest for the remaining term of the host contract, then the economic characteristics and risks of the prepayment option embedded in a host debt or host insurance contract are closely related to the host contract and the embedded derivative is not separated from the host contract.

The amendments are to be applied prospectively to all unexpired contracts for annual periods beginning on or after 1 January 2010.

The amendments will be adopted by the municipality for the first time for its financial reporting period ending 30 June 2011.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The municipality expects to adopt the amendment for the first time in the 2011 annual financial statements.

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

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 state that clarification 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 a 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 amended is 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.

The effective date of the standard is for years beginning on or after 01 January 2011. The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

The impact of this standard is currently being assessed.

1 Property, plant and equipment

30 June 2011

	Other	Leased assets	Total
	R	R	R
Carrying values at 1 July 2010	**2 527 676**	**199 337**	**2 727 013**
Cost	4 770 749	540 003	5 310 752
Accumulated depreciation	(2 243 073)	(340 666)	(2 583 739)
Acquisitions	886 314	-	886 314
Depreciation	(491 748)	(60 746)	(552 494)
- based on cost	(491 748)	(60 746)	(552 494)
Carrying value of disposals	(308 290)	(10 458)	(318 748)
Cost	(802 600)	(33 500)	(836 100)
Accumulated depreciation	494 310	23 042	517 352
Carrying values at 30 June 2011	**2 613 952**	**128 133**	**2 742 085**
Cost	4 854 463	506 503	5 360 966
Accumulated depreciation	(2 240 511)	(378 370)	(2 618 881)

30 June 2010

	Other	Leased assets	Total
	R		R
Carrying values at 1 July 2009	**2 935 211**	**207 555**	**3 142 766**
Cost	4 986 163	525 401	5 511 564
Accumulated depreciation	(2 050 952)	(317 846)	(2 368 798)
Acquisitions	391 781	61 102	452 883
Depreciation	(561 353)	(72 820)	(634 173)
- based on cost	(561 353)	(72 820)	(634 173)
Carrying value of disposals	(237 963)	3 500	(234 463)
Cost	(607 195)	(46 500)	(653 695)
Accumulated depreciation	369 232	50 000	419 232
Carrying values at 30 June 2010	**2 527 676**	**199 337**	**2 727 013**
Cost	4 770 749	540 003	5 310 752
Accumulated depreciation	(2 243 073)	(340 666)	(2 583 739)

Refer to Appendix B for more detail on property,

The municipality has applied the three year exemption for measuring property, plant and equipment, including those acquired in a transfer of functions, in accordance with GRAP 17.

The depreciation expense had been recognised on other and leased assets and a fixed asset register is has been compiled. The municipality has completed the process of identifying separate components of property, plant and equipment. The carry amounts of certain items of office equipment, furniture and fittings as presented in the statement of financial position are provisional.

The following classes of property, plant and equipment, which were not measured in accordance with GRAP17 in the previous reporting period, are now measured in accordance with GRAP 17:
• Office equipment.
• Furniture and fittings.
• Motor vehicles.

The municipality will endeavor to obtain information to determine the purchase prices of the items included under office equipment, furniture and fittings at provisional carry amounts, failing which a valuator will be appointed to determine the value of these items. Full compliance is expected by the end of June 2012.

	2011 R	Restated 2010 R

2 Investment Property

Reconciliation of Carrying Value of Investment property

	2011 R	2010 R
Opening Carrying value at fair value	**6 950 000**	**6 872 516**
Fair value adjustment	200 000	77 484
Opening Carrying value at fair value	**7 150 000**	**6 950 000**

Capitalisation rates used during the year were 12.00 % (10.70% - 2010) being the weighted average cost of funds borrowed generally by the economic entity.

Other Information:

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 revaluation was 30 June 2010. The Revaluation was performed by an independent valuer, Mr AV Fullaway [Professional Associated Valuer], of Edric Trust Pty (Ltd). Edric Trust Pty (Ltd) is not connected to the municipality and have recent experience in location and category of the investment property being valued.

	2011 R	2010 R
The valuation was based on open market value for existing use.	7 150 000	6 950 000

The municipality has applied the three year exemption for measuring investment property as per DIRECTIVE 4, including those acquired in a transfer of functions, in accordance with GRAP 16. Investment properties have been identified and recognised separately from property, plant and equipment. The fair value amounts presented in the statement of financial position for 2009 and 2011 are provisional.

The following assumptions were used:

	2011	2010
Capitilisation Rate	12.00%	10.70%
Rental Charge		
Main Building	R 78.84	R 73.00
Outbuilding	R 21.60	R 20.00
Vacancy factor	5.00%	5.00%
Operational expenses	R 133 899.65	R 175 018.38

3 Non-current receivables

	2011 R	2010 R
Motor vehicle loans	-	467
Sub-total	**-**	**467**
Less: Impairment	-	-
	-	467
Less: Current portion transferred to current assets	-	467
Motor vehicle loans	-	467
Less: Impairment	-	-
Total long-term receivables	-	-

Motor vehicle loans

Permanent staff obtained loans at 8.50% interest per annum repayable over a period of 3 to 6 years. Other staff's loans bear interest of prime plus 1% and are also repayable over a period of 3 to 6 years. The loans are repaid on a monthly basis by way of salary deductions. These loans are being phased out and are completely repayable in the year 2010.

4 Consumer receivables from exchange transactions

As at 30 June 2011	**Gross**	**Impairment**	**Net Balance**
Service Levy Receivables			
Service Levy	-	-	-
Establishment Levy	-	-	-
Total Consumer receivables	**-**	**-**	**-**

As at 30 June 2010	**Gross**	**Impairment**	**Net Balance**
Service Levy Receivables			
Service Levy	-	-	-
Establishment Levy	-	-	-
Total Consumer receivables	**-**	**-**	**-**

	2011 R	Restated 2010 R
4 Consumer receivables from exchange transactions continued		
Service levy: ageing		
90+ Days	-	-
Total	-	-
Establishment Levy: ageing		
90+ Days	-	-
Total	-	-

30 June 2011 Summary of receivables by customer classification	Residential	Industrial/ Commercial	National and Provincial Government
90+ Days	-	-	-
Sub-total	-	-	-
Less: Impairment	-	-	-
Total receivables by customer classification	-	-	-

30 June 2010 Summary of receivables by customer classification	Residential	Industrial/ Commercial	National and Provincial Government
90+ Days	-	-	-
Sub-total	-	-	-
Less: Impairment	-	-	-
Total receivables by customer classification	-	-	-

Reconciliation of impairment

	2011 R	Restated 2010 R
Balance at beginning of year	-	-
Contributions to provision	-	-
Bad debts written off against provision	-	-
Balance at the end of the year	-	-

	2011 R	Restated 2010 R

5 Other receivables from exchange transactions

	2011 R	2010 R
Interest receivable	155 734	257 225
Deposits	978 465	980 254
Sundry receivables	666 906	242 359
Sub-total	1 801 105	1 479 838
Less: Impairment	(71 723)	(71 723)
Total other receivables	**1 729 382**	**1 408 115**

Reconciliation of impairment

	2011 R	2010 R
Balance at beginning of year	71 723	655 538
Contributions to provision	-	53 743
Bad debts written off against provision	-	(637 558)
Balance at the end of the year	**71 723**	**71 723**

6 Vat receivable

	2011 R	2010 R
VAT receivable	**1 846 307**	**1 805 653**

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

7 Cash and cash equivalents

The municipality has the following bank accounts:
Current account (primary bank account)
Standard Bank
Account number 24-031-259-7

	2011 R	2010 R
Cashbook balance at the beginning of the year	13 763 742	1 571 314
Cashbook balance at the end of the year	10 875 740	13 763 742
Bank statement balance at the beginning of the year	13 763 743	1 614 341
Bank statement balance at the end of the year	10 875 740	13 763 743
The municipality has the following cash on hand:	**-**	2 000
Held-to-maturity investments maturing during 1 to 3 months		
ABSA Short term (32 days to 3 Months)	37 526 141	27 094 108
Standard Bank Short term (32 day deposits)	10 097 796	21 520 216
Nedbank Short term (Call deposit)	20 000 000	19 912 310
FNB Short term (32 day deposit)	-	-
Held-to-maturity investments maturing during 1 to 3 months	**67 623 937**	**68 526 634**
Total cash and cash equivalents	**78 499 677**	**82 292 376**

	2011 R	Restated 2010 R

8 Non-current borrowings

	2011 R	Restated 2010 R
Annuity loans	-	32 490 751
Less: current portion transferred to current liabilities	-	(4 764 534)
Total long-term borrowings	**-**	**27 726 217**

All annuity loans are from The Development Bank of South Africa and repayments are made on a six monthly basis. The last loan will be redeemed at 31 December 2015 and the loans carry interest between 10% and 12% per annum.

Refer to Appendix A for more detail on long-term borrowings.

9 Payables from exhange transactions

	2011 R	Restated 2010 R
Retentions	391 950	337 694
Staff bonuses	1 914 740	1 094 696
Staff leave	1 947 407	2 696 710
Trade payables	3 354 132	7 221 466
Sub total	**7 608 229**	**11 350 566**
Total payables from exchange transactions	**7 608 229**	**11 350 566**

10 Payables from non-exchange transactions

	2011 R	Restated 2010 R
Other payables	18 595	7 162
Total payables from non-exchange transactions	**18 595**	**7 162**

11 Unspent conditional grants and receipts

	2011 R	Restated 2010 R
Financial Management Grant	472 777	49 812
Municipal Systems Improvement Grant	831 151	362 872
Capacity Building Grant	40 000	40 000
Ntsika Economic Summit	8 583	8 583
District Aids Council	10 460	10 460
Total conditional grants and receipts	**1 362 971**	**471 727**

See note 15 for reconciliation of grants from other spheres of government. These amounts are invested until utilized. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.

		Notes	2011 R	Restated 2010 R
12	**Service charges**			
	Regional service levy		-	117
	Establishment levy		-	221
	Legal costs		-	-
	Fair value adjustment		-	-
	Total service charges		**-**	**338**
13	**Rental of facilities and equipment**			
	Rental of facilities		991 535	918 088
	Rental of equipment		-	-
	Rental of other		-	-
			991 535	**918 088**
14	**Interest earned**			
	Financial assets			
	Consumer receivables		-	898
	Investments		6 823 221	6 691 038
	Non-current receivables		2	11 539
	Fair value adjustment		72 265	73 056
			6 895 488	**6 776 531**
15	**Government grants and subsidies**			
	Regional service council levy replacement grant	15.1	132 575 518	128 703 000
	Equitable share	15.2	19 736 000	14 069 000
	Financial Management Grant	15.3	858 035	907 603
	Municipal Systems Improvement Grant	15.4	452 721	804 294
	Total government grants & subsidies received		**153 622 274**	**144 483 897**
15.1	**Regional service council levy replacement grant**			
	Balance unspent at beginning of year		-	-
	Current year receipts		132 575 518	128 703 000
	Conditions met - transferred to revenue	**15**	(132 575 518)	(128 703 000)
	Conditions still to be met - transferred to liabilities (see note11)		-	-

This grant is used to subsidise the provision administrative services and serves as a replacement for the revenue lost due to the abolishment of RSC levies.

		Notes	2011 R	Restated 2010 R
15.2	**Equitable share**			
	Balance unspent at beginning of year		-	-
	Current year receipts		19 736 000	14 069 000
	Conditions met - transferred to revenue	**15**	(19 736 000)	(14 069 000)
	Conditions still to be met - transferred to liabilities (see note11)		-	-

In terms of the Constitution, this grant is used to subsidise the provision administrative services to indigent community members and to subsidise income.

		Notes	2011 R	Restated 2010 R
15.3	**Financial Management Grant**			
	Balance unspent at beginning of year		49 812	488 777
	Current year receipts		1 000 000	750 000
	Refunded by / (Surrendered to the National Revenue Fund)		281 000	(281 362)
	Conditions met - transferred to revenue	**15**	(858 035)	(907 603)
	Conditions still to be met - transferred to liabilities (see note11)		**472 777**	**49 812**

The purpose of the grant is to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act (MFMA).

		Notes	2011 R	Restated 2010 R
15.4	**Municipal Systems Improvement Grant**			
	Balance unspent at beginning of year		362 872	603 167
	Current year receipts		750 000	735 000
	Refunded by / (Surrendered to the National Revenue Fund)		171 000	(171 000)
	Conditions met - transferred to revenue	**15**	(452 721)	(804 295)
			831 151	**362 872**

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Municipal Systems Act of 2000.

	Notes	2011 R	Restated 2010 R

16 Other income

	2011	2010
Recovery cellphone costs	-	28 675
Discount received	28 103	-
SETA - WSP refund	164 778	229 219
Other income	9 386	21 710
Total other income	**202 267**	**279 604**

17 Employee related costs

	2011	2010
Employee related costs - Salaries and wages	33 086 872	34 997 975
Employee related costs - Contributions for SDL, UIF, Compensation Commissioner, pensions and medical aids	7 037 019	7 076 212
Travel, motor car, accommodation, subsistence and other allowances	5 886 725	5 452 902
Housing benefits and allowances	243 638	229 106
Overtime payments	74 810	83 797
Bonuses (including provision for bonus and performance bonuses)	3 930 718	3 341 161
Provision for leave	987 626	1 308 227
Total employee related costs	**51 247 408**	**52 489 380**

There were no advances to employees. Loans to employees are set out in note 4.

Remuneration of the Acting Municipal Manager

	2011	2010
Annual remuneration	727 447	1 136 954
Performance bonus	147 134	102 994
Car allowance	-	63 000
Contribution to UIF, medical and pension funds	-	80 635
Total	**874 581**	**1 383 583**

Remuneration of the Acting Chief Financial Officer

	2011	2010
Annual remuneration	444 437	495 030
Performance bonus	111 066	155 353
Car allowance	-	-
Contribution to UIF, medical and pension funds	-	-
Total	**555 503**	**650 383**

Remuneration of the Acting Chief Operating Officer

	2011	2010
Annual remuneration	550 325	334 612
Performance bonus	113 623	-
Car allowance	-	-
Contribution to UIF, medical and pension funds	-	-
Total	**663 948**	**334 612**

Remuneration of individual Executive Directors:

Executive Director: Community and Social Development

	2011	2010
Annual remuneration	772 348	760 168
Performance bonus	136 142	132 198
Car allowance	142 205	142 205
Contribution to UIF, medical and pension funds	151 282	128 535
Total	**1 201 977**	**1 163 106**

Executive Director: Corporate Services

	2011	2010
Annual remuneration	1 004 982	909 410
Performance bonus	136 142	132 198
Car allowance	120 000	120 000
Contribution to UIF, medical and pension funds	13 802	1 497
Total	**1 274 926**	**1 163 105**

Acting Executive Director: Economic Development and Planning

	2011	2010
Annual remuneration	525 144	502 945
Performance bonus	104 583	-
Car allowance	-	-
Contribution to UIF, medical and pension funds	-	-
Total	**629 727**	**502 945**

Acting Executive Director: Infrastructure

	2011	2010
Annual remuneration	360 330	316 486
Performance bonus	94 427	-
Car allowance	-	-
Contribution to UIF, medical and pension funds	-	-
Total	**454 757**	**316 486**

		Notes	2011 R	Restated 2010 R
18	**Remuneration of councillors**			
	Executive Mayor		452 982	477 162
	Deputy Executive Mayor		-	-
	Speaker		326 339	348 572
	Chief Whip		495 536	528 898
	Mayoral Committee Members		3 295 290	3 519 933
	Councillors		2 989 665	3 201 579
	Total Councillors' Remuneration		**7 559 812**	**8 076 144**

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Deputy-Executive Mayor have use of council owned vehicles for official duties.

The Executive Mayor and Deputy Executive Mayor have five bodyguards and an official driver at the cost of Council.

		2011 R	Restated 2010 R
19	**Finance costs**		
	Borrowings - The Development Bank of South Africa	2 767 079	3 728 139
	Finance leases	3 253	4 496
	Fair value adjustment to payables	388 747	737 761
	Total interest on external borrowings	**3 159 079**	**4 470 396**
20	**Grants and subsidies paid**		
	Bucket eradication	5 561 348	4 228 819
	Solidwaste disposal	-	37 208
	Upgrade Sewer main lines	292 009	-
	Installation of Sewer networks	5 628 928	-
	Water reserviour	-	584 590
	Upgrade water treatment networks	277 415	-
	Paving of roads and streets	2 272 523	5 561 375
	Multipurpose sports complex	758 656	712 482
	Provision of Environmental Health Services	9 290 579	8 233 077
	Operation Hlasela	-	341 850
	Project Management Development of farms	-	780 000
	Signing Ceremony	-	75 000
	Cleanest Town	250 000	717 000
	Contractor Training	929 203	-
	Restoration of Municipal Offices	1 301 596	-
	Financial Assisstance Councillor Burials	-	20 000
	Total grants and subsidies	**26 562 257**	**21 291 401**

		Notes	2011 R	Restated 2010 R
21	**General expenses**			
	Included in general expenses is the following:			
	Advertising		757 002	686 772
	Audio and visual equipment rent		400 623	328 590
	Audio visual production		82 090	35 850
	Audit fees		1 996 449	1 174 358
	Awareness campaigns			279 689
	Bank charges		43 915	43 689
	Brochures and booklets		148 391	30 023
	Catering		2 137 672	1 282 516
	Cleaning		29 000	7 326
	Confederation Cup tickets		-	-
	Congress & seminaars		169 140	215 280
	Consulting fees		3 892 691	1 552 818
	Consumables		104 411	90 252
	Corporate branding		531 406	705 258
	Distater relief - food parcels		2 494 999	-
	Distater relief - shacks		213 100	
	Donations equipment		80 640	-
	Entertainment		1 050 519	796 249
	Exhibitions		71 485	11 419
	Feasibility studies		-	199 386
	Financial Assistance Animal feed		-	500 000
	Financial Assistance Audio and visual equipment rent		-	160 000
	Financial Assistance Communication stations support costs		-	360 519
	Financial Assistance Small enterprise development support		1 608 685	-
	Financial Assistance Other		1 275 716	-
	Financial Assistance Vistor information centre		-	160 000
	Flea market stalls		-	144 000
	Flowers & gifts		26 744	67 793
	Fuel		275 070	284 140
	Hi Site Rentals		40 620	18 639
	Hire of facilities		555 052	302 714
	Insurance		301 440	261 144
	International tours		1 787 005	2 241 224
	Legal fees		1 512 984	971 948
	Licenses		15 155	27 875
	Loss sale of assets		194 901	-
	Marketing		150 562	613 317
	Medals		79 147	-
	Moral regeneration events		-	700 000
	Motheo newsletter production costs		-	215 627
	Office rental		5 908 010	5 088 261
	Parking		448 353	382 350
	Postage and telephone		887 529	1 062 982
	Printing and stationery		1 255 076	1 091 348
	Property rates		520 231	370 994
	Protective clothing		7 487	48 043
	Publications		133 479	115 058
	SALGA Free State		445 650	381 218
	Sponsorships		1 027 065	3 990 879
	Sports clothing and equipment		102 629	-
	Study assistance		213 919	157 731
	Suite costs		152 808	239 651
	Sundry		1 380 665	1 233 192
	Tourism training forums			-
	Training and courses		1 155 038	2 047 624
	Translation services		35 868	54 148
	Transportation		913 701	592 902
	Travelling		3 239 917	3 812 571
	Water and electricity		709 096	590 726
	Workshops		-	154 994
	World Cup Soccer 2010		-	3 260 206
	Fair value adjustment to general expenses		(297 185)	(529 561)
	Total		**40 265 950**	**38 613 731**
22.1	**Repairs and maintenance**			
	Included in repairs and maintenance is the following:			
	Computers and networks		371 550	463 890
	General		179 112	174 735
	Vehicles		141 360	190 962
	Buildings		-	9 961
	Financial assistance - repairs and maintenance IDP		-	50 000
	Fair value adjustment to repairs and maintenance		(8 657)	(11 982)
			683 365	**889 548**
22.2	**Surplus for the year**		31 881 199	26 029 408
	Included in the surplus for the year is the following:			
	Operating lease charges:			
	Buildings		5 908 010	5 088 261
	Depreciation of property, plant and equipment		(552 494)	(634 173)
	- Other		(491 748)	(561 353)
	- Lease assets		(60 746)	(72 820)

	2011 R	Restated 2010 R

23 Cash generated from operations

	2011 R	Restated 2010 R
Net surplus for the year	31 881 199	26 029 408
Adjustment for:		
Depreciation and amortisation	552 494	634 173
Fair value adjustment - Investment Property	(200 000)	(77 484)
Contributions to provisions - non-current	-	-
Contributions to bad debts	-	53 743
Contributions reserves	-	-
Investment income	(6 895 488)	(6 776 531)
Interest paid	3 159 079	4 470 396
Loss on sale of assets	194 901	147 828
Operating surplus before working capital changes:	**28 692 185**	**24 481 533**
(Increase) / Decrease in consumer receivables	-	1 150
Decrease/(increase) in other receivables	(361 921)	(110 116)
(Decrease) / increase in conditional grants & receipts	891 244	(679 259)
Decrease in impairment	-	-
Increase in payables	(3 730 904)	854 488
Prior year opening balance restatement / adjustment		287 335
Cash generated by operations	**25 490 604**	**24 835 131**

24 Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprises the following amounts indicating financial position:

	2011 R	Restated 2010 R
Investments in financial instruments maturing in lesser than the first 3 months	67 623 937	68 526 634
Positive bank balances	10 875 740	13 763 742
Cash on hand	-	2 000
Total cash and cash equivalents	**78 499 677**	**82 292 376**

Refer to note 7 for a breakdown of cash book balances and balance per bank statements.

Pledged investments
There are no pledged investments.

		2011 R	Restated 2010 R
25	**Additional disclosures in terms of the Municipal Finance Management Act**		
25.1	**Contributions to organised local government**		
	Opening balance	(20 968)	-
	Council subscriptions	445 650	381 218
	Amount paid - current year	(424 682)	(402 186)
	Amount paid - previous years	-	-
	Balance refundable (included in receivables)	**-**	**(20 968)**
25.2	**Audit fees**		
	Opening balance	-	-
	Prior year audit fee	1 996 449	1 174 358
	Current year regularity audit fees	-	-
	Current year performance audit fees	-	-
	Amount paid - current year	(1 996 449)	(1 174 358)
	Balance unpaid (included in payables)	**-**	**-**
25.3	**VAT**		
	Opening balance	1 865 868	1 149 039
	Adjustments		67 694
	Amount claimed		4 538 648
	Amount received		(3 889 513)
	VAT refundable	**1 865 868**	**1 865 868**

All Vat returns have been submitted by the due date during the year.

		2011 R	Restated 2010 R
25.4	**PAYE and UIF**		
	Opening balance	-	-
	Current year payroll deductions	11 543 607	11 771 077
	Amount paid - current year	(11 543 607)	(11 771 077)
	Amount paid - previous years	-	-
	Balance unpaid (included in payables)	-	-
25.5	**Pension and medical aid deductions**		
	Opening balance	-	-
	Current year payroll deductions and council contributions	11 153 540	10 538 877
	Amount paid - current year	(11 153 540)	(10 538 877)
	Amount paid - previous years	-	-
	Balance unpaid (included in payables)	-	-
25.6	**Skills Development Levy**		
	Opening balance	-	-
	Payable during the current year	479 996	447 586
	Amount paid - current year	(479 996)	(447 586)
	Amount paid - previous years	-	-
	Balance unpaid (included in payables)	-	-
26	**Capital and current commitments**		
	Commitments in respect of capital expenditure:		
	-Approved and contracted for		
	Infrastructure	8 916 719	2 864 180
	Other	-	749 464
		8 916 719	**3 613 644**
	Commitments in respect of current expenditure - Approved and contraced for	609 285	3 097 310
	Total	**9 526 004**	**6 710 954**

	2011	Restated 2010
	R	R

27 Retirement benefit information

The municipality provides retirement benefits for its employees and councilors. Benefits are provided via defined contribution plans and defined benefit plans.

27.1 Defined contribution plan

The following are defined contribution plans: Local Government Employees Pension Fund, Municipal Councillors Pension Fund, Free State Municipal Pension Fund, Free State Municipal Provident Fund, SAMWU Provident Fund, Old Mutual Orion Pension Fund and National Provident Fund for Municipal Workers. Employees can contribute to the Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. These Funds are classified as defined contribution plans. These contributions have been expensed.

Contributions made to Defined contribution plans:

	2011	2010
Free State Municipal Provident Fund	1 833 653	1 825 920
Municipal Councillors Pension Fund	448 722	463 300
Free State Municipal Pension Fund	696 788	763 754
Local Government Employees Pension Fund	310 783	241 197
Old Mutual Orion Pension Fund	77 769	80 799
SAMWU Provident Fund	1 468 014	1 437 963
	4 835 730	**4 812 933**

Number of Members:

	2011	2010
Free State Municipal Provident Fund	39	45
Municipal Councillors Pension Fund	19	19
Free State Municipal Pension Fund	19	24
Local Government Employees Pension Fund	8	4
Old Mutual Orion Pension Fund	3	3
SAMWU Provident Fund	25	19
	113	**114**

27.2 Defined benefit plan

The Sala Pension Fund is classified as defined benefit plan however, treated as a defined contribution plan. These are multi-employer plans and according to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan in terms of IAS 19 (AC116).30.

Some employees belongs to the Sala Pension Fund. The latest actuarial valuation of Sala Pension Fund as at 30 June 2011 was performed on 1 July 2006. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R4,763 million which is adequately financed by assets of R5,049 million.

Contributions made to Defined benefit plans:

	2011	2010
Sala Pension Fund	239 643	226 259
Sala Councillors Pension Fund	61 396	63 181
	301 039	**289 440**

Number of Members:

	2011	2010
Sala Pension Fund	4	4
Sala Councillors Pension Fund	2	2
	6	**6**

28 Contingent liabilities

Pending claims

	2011	2010
Investigation on the mismanagement of resources	-	-
Allegations of salary disparity	-	-
Unfair labour practices	-	-
Unfair dismissals	6 608 171	6 608 171
	6 608 171	**6 608 171**

29 Related parties

Key management personnel

See note 17 and 18 for remuneration of key management personnel and Council.

Loans to key management personnel

Motor vehicle loans	**Original Transaction amount**	**Outstanding balance as at 30 June 2011**	**Outstanding balance as at 30 June 2010**
CAR LOAN BBJW MOLEME	100 764	-	-
CAR LOAN L MATHAE	182 316	-	126
CAR LOAN L SALAGAE	129 777	-	45
CAR LOAN RAMOLEBO	148 848	-	-
CAR LOAN EM MOTHOBI	140 000	-	-
CAR LOAN N DONVULO	148 848	-	-
CAR LOAN A LEKHU	148 848	-	-
CAR LOAN GAS NQANDA	147 692	-	-
CAR LOAN GS DE WET	122 190	-	43
CAR LOAN MM MOSIA	148 848	-	52
CAR LOAN R KOKOROPO	125 000	-	44
CAR LOAN TP TEBESI	148 848	-	52
CAR LOAN D THEBEAGAE	88 464	-	-
CAR LOAN NS MASWABI	164 900	-	-
CAR LOAN I MAKGOE	148 848	-	105
	716 426	**-**	**467**

Senior staff obtained loans at 8.50% interest per annum repayable over a maximum period of 6 years. Repayments are made on a monthly basis by way of salary deductions. These loans are being phased out and are repayable in the year 2010.

	2011 R	Restated 2010 R

30 Leases

30.1 Finance Leases

30 June 2011	Minimum Lease Payment	Future Finance charges	Present Value of minimum lease payments
Amounts payable under finance leases			
Within one year	18 156	776	17 380
In the second to fifth year inclusive	-	-	-
After five years	-	-	
	18 156	**776**	**17 380**
Less: Amount due for settlement within 12 months			(17 380)
			-

30 June 2010	Minimum Lease Payment	Future Finance charges	Present Value of minimum lease payments
Amounts payable under finance leases			
Within one year	28 702	3 925	24 777
In the second to fifth year inclusive	35 640	18 260	17 380
After five years	-	-	
	64 342	**22 185**	**42 157**
Less: Amount due for settlement within 12 months			(24 777)
			17 380

Obligations under finance leases are secured by the lessor's title to the leased asset.

30.2 Operating Leases

Lessee

Operating lease payments represent rentals payable by the municipality for the use of its administrative offices. Leases are negotiated for an average term of three years and rentals are fixed for one year. The lease is not cancellable before 30 November 2012. The present leave term expires on the 30th November 2012 and rentals are escalated by 10% annually on the anniversary date of the contract.

No sublease contracts existed for the reporting period.

No contingent rental agreements existed for the reporting period.

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	2011 R	2010 R
Payable within 1 year	6 669 723	6 063 385
Payable within 1 - 5 years	2 888 463	9 558 186
Payable later than 5 years	-	-
	9 558 186	**15 621 571**
Operating Lease Liability:		
Opening balance	345 342	65 905
Lease payments for the year	(6 063 385)	(5 114 668)
Straight line lease charge in the I/S	6 321 198	5 394 105
Closing balance	**603 155**	**345 342**

31 Events after reporting date

None.

32 Irregular expenditure

	2011 R	2010 R
Reconciliation of irregular expenditure identified:		
Opening Balance	49 808 600	47 371 484
Irregular expenditure current year	1 740 738	2 437 116
Irregular expenditure not previously disclosed	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting condonement	**51 549 338**	**49 808 600**

For detail refer to fruitless and wastefull and irregular register as mantained by the municipality.

	2011 R	Restated 2010 R

33 Fruitless and wasteful expenditure

	2011 R	Restated 2010 R
Reconciliation of fruitless expenditure identified:		
Opening Balance	7 636 540	4 465 208
Fruitless expenditure current year	1 162 015	6 317 076
Fruitless expenditure not previously disclosed	-	-
Condoned or written off by Council	-	(3 145 744)
Transfer to receivables for recovery - not condoned	-	-
Fruitless expenditure awaiting condonement	**8 798 555**	**7 636 540**

For detail refer to fruitless and wastefull and irregular register as mantained by the municipality.

34 Unauthorised expenditure

	2011 R	Restated 2010 R
Reconciliation of unauthorised expenditure identified:		
Opening Balance	-	3 603 440
Unauthorised expenditure current year	-	-
Unauthorised expenditure current year - not reported previously	-	-
Approved by council or condoned	-	(3 603 440)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	**-**	**-**

35 Deviations from supply chain management regulations

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

36 Comparison with the budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1)

37 Restatement of comparative information

The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors

37.1 Understatement of Other Receivables from Exchange Transactions:

A sundry receivable in the name of Mr. Kganare was understated in the previous year. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below:

Increase in accumulated surplus	(60 713)
Decrease in vat receivable	(16 266)
Increase in other receivables from exchange transactions	76 979

37.2 Overstatement of vat refundable:

The Vat refundable was overstated in the previous year as a result of input vat claimed and disallowed by SARS. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below:

Decrease in accumulated surplus	43 927
Decrease in vat receivable	(43 927)

37.3 Understatement of service levy income

Service levy income was understated in the previous year. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below:

Increase in accumulated surplus	(153)
Increase in other receivables from exchange transactions	175
Decrease in vat receivable	(22)

MOTHEO DISTRICT MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2011

External loans	Loan Number	Redeemable	Balance at 30/6/2009	Received during the year	Redeemed or written off during the year	Balance at 30/6/2010	Received during the year	Redeemed or written off during the year	Balance at 30/6/2011	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R	R	R	R
Annuity loans											
DBSA @ 12%	10 148/103	30/06/2015	7 827 410	-	956 359	6 871 051	-	6 871 051	-	-	-
DBSA @ 10%	10 212/404	31/12/2015	1 927 162	-	223 147	1 704 015	-	1 704 015	-	-	-
DBSA @ 10%	10 215/502	31/12/2015	1 053 889	-	122 030	931 859	-	931 859	-	-	-
DBSA @ 10%	10 216/502	31/12/2015	1 322 224	-	153 100	1 169 124	-	1 169 124	-	-	-
DBSA @ 10%	10 217/502	31/12/2015	2 072 554	-	239 981	1 832 573	-	1 832 573	-	-	-
DBSA @ 10%	10 218/502	31/12/2015	1 949 607	-	225 745	1 723 862	-	1 723 862	-	-	-
DBSA @ 10%	10 219/502	31/12/2015	2 447 725	-	283 423	2 164 302	-	2 164 302	-	-	-
DBSA @ 10%	10 220/502	31/12/2015	1 080 213	-	125 078	955 135	-	955 135	-	-	-
DBSA @ 10%	10 221/502	31/12/2015	1 016 974	-	117 755	899 219	-	899 219	-	-	-
DBSA @ 10%	10 222/504	31/12/2015	1 900 253	-	220 030	1 680 223	-	1 680 223	-	-	-
DBSA @ 10%	10 223/504	31/12/2015	1 660 660	-	192 288	1 468 372	-	1 468 372	-	-	-
DBSA @ 10%	10 224/504	31/12/2015	1 152 291	-	133 424	1 018 867	-	1 018 867	-	-	-
DBSA @ 10%	10 225/502	31/12/2015	1 873 168	-	216 894	1 656 274	-	1 656 274	-	-	-
DBSA @ 10%	10 226/402	31/12/2015	1 537 044	-	177 974	1 359 070	-	1 359 070	-	-	-
DBSA @ 10%	10 227/504	31/12/2015	2 397 130	-	277 564	2 119 566	-	2 119 566	-		
DBSA @ 10%	10 228/502	30/06/2015	640 667	-	67 047	573 620	-	573 620	-	-	-
DBSA @ 10%	10 229/502	31/12/2015	2 453 355	-	284 074	2 169 281	-	2 169 281	-	-	-
DBSA @ 10%	10 230/402	31/12/2015	2 481 694	-	287 356	2 194 338	-	2 194 338	-	-	-
Total Annuity loans			**36 794 020**	**-**	**4 303 269**	**32 490 751**	**-**	**32 490 751**	**-**	**-**	**-**
Total external loans			**36 794 020**	**-**	**4 303 269**	**32 490 751**	**-**	**32 490 751**	**-**	**-**	**-**

MOTHEO DISTRICT MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

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	Cost							Accumulated Depreciation					
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals	Closing Balance	Carrying Value
Other Assets													
Office Equipment	1 759 948	231 024	488 443	-	-	180 598	2 298 817	1 097 566	226 700	366 164	133 136	1 557 294	741 523
Furniture and Fittings	1 099 685	-	-	-	-	2	1 099 683	330 022	110 221	-	-	440 243	659 440
Motor Vehicles	1 911 116	655 290	-	-	-	622 000	1 944 406	815 485	154 827	-	361 174	609 138	1 335 268
	4 770 749	**886 314**	**488 443**	**-**	**-**	**802 600**	**5 342 906**	**2 243 073**	**491 748**	**366 164**	**494 310**	**2 606 675**	**2 736 231**
Lease assets													
Office Equipment	540 003		(488 443)	-	-	33 500	18 060	340 666	60 746	(366 164)	23 042	12 206	5 854
	540 003	**-**	**(488 443)**	**-**	**-**	**33 500**	**18 060**	**340 666**	**60 746**	**(366 164)**	**23 042**	**12 206**	**5 854**
Total	**5 310 752**	**886 314**	**-**	**-**	**-**	**836 100**	**5 360 966**	**2 583 739**	**552 494**	**-**	**517 352**	**2 618 881**	**2 742 085**

MOTHEO DISTRICT MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

	Cost							Accumulated Depreciation					
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals	Closing Balance	Carrying Value
Other Assets													
Office Equipment	1 688 376	94 167	-	-	-	22 595	1 759 948	828 365	284 548	-	15 347	1 097 566	662 382
Furniture and Fittings	1 072 066	27 619	-	-	-	-	1 099 685	203 156	126 866	-	-	330 022	769 663
Motor Vehicles	2 225 721	269 995	-	-	-	584 600	1 911 116	1 019 431	149 939	-	353 885	815 485	1 095 631
	4 986 163	**391 781**	**-**	**-**	**-**	**607 195**	**4 770 749**	**2 050 952**	**561 353**	**-**	**369 232**	**2 243 073**	**2 527 676**
Lease assets													
Office Equipment	525 401	61 102	-	-	-	46 500	540 003	317 846	72 820	-	50 000	340 666	199 337
	525 401	**61 102**	**-**	**-**	**-**	**46 500**	**540 003**	**317 846**	**72 820**	**-**	**50 000**	**340 666**	**199 337**
Total	**5 511 564**	**452 883**	**-**	**-**	**-**	**653 695**	**5 310 752**	**2 368 798**	**634 173**	**-**	**419 232**	**2 583 739**	**2 727 013**

MOTHEO DISTRICT MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Cost							Accumulated Depreciation					
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Council general expenses	2 857 509	670 685	-	-	-	721 565	2 806 629	1 140 111	442 272	-	434 584	1 147 799	1 658 830
Office of the Municipal Manager	33 636	30 216	-	-	-	2 000	61 852	15 891	-	-	1 644	14 247	47 605
Office of the COO	85 448	-	-	-	-	-	85 448	30 429	-	-	-	30 429	55 019
Political Support	97 032	2 898	-	-	-	39 573	60 357	32 981	-	-	24 867	8 114	52 243
Financial services	315 900	22 758	-	-	-	-	338 658	179 656	-	-	-	179 656	159 002
Technical services	67 891	5 989	-	-	-	-	73 880	26 760	-	-	-	26 760	47 120
Social development	58 840	8 695	-	-	-	5 500	62 035	30 054	-	-	4 522	25 532	36 503
Corporate services	1 653 014	145 073	-	-	-	67 462	1 730 625	1 085 012	110 222	-	51 735	1 143 499	587 126
Economic development	141 482	-	-	-	-	-	141 482	42 845	-	-	-	42 845	98 637
Total	**5 310 752**	**886 314**	**-**	**-**	**-**	**836 100**	**5 360 966**	**2 583 739**	**552 494**	**-**	**517 352**	**2 618 881**	**2 742 085**

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

	Cost							Accumulated Depreciation					
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Transfer In	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Council general expenses	3 153 139	340 567	-	-	-	636 197	2 857 509	1 256 137	291 374	-	407 400	1 140 111	1 717 398
Office of the Municipal Manager	33 636	-	-	-	-	-	33 636	12 136	3 755	-	-	15 891	17 745
Office of the COO	76 203	9 245	-	-	-	-	85 448	16 519	13 910	-	-	30 429	55 019
Political Support	85 236	11 796	-	-	-	-	97 032	14 286	18 695	-	-	32 981	64 051
Financial services	293 472	39 926	-	-	-	17 498	315 900	142 553	48 935	-	11 832	179 656	136 244
Technical services	62 867	5 024	-	-	-	-	67 891	18 580	8 180	-	-	26 760	41 131
Social development	51 657	7 183	-	-	-	-	58 840	21 026	9 028	-	-	30 054	28 786
Corporate services	1 624 398	28 616	-		-	-	1 653 014	867 167	217 845	-	-	1 085 012	568 002
Economic development	130 956	10 526	-	-	-	-	141 482	20 394	22 451	-	-	42 845	98 637
Total	**5 511 564**	**452 883**	**-**	**-**	**-**	**653 695**	**5 310 752**	**2 368 798**	**634 173**	**-**	**419 232**	**2 583 739**	**2 727 013**

MOTHEO DISTRICT MUNICIPALITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
		-	**REGIONAL FUNCTIONS**			-
-	4 348 612	(4 348 612)	LED and Job Creation	-	4 510 684	(4 510 684)
-	10 374 783	(10 374 783)	Infrastructure	-	16 263 023	(16 263 023)
-	20 834 468	(20 834 468)	Social development	-	20 807 996	(20 807 996)
-	737 275	(737 275)	Safety and security	-	649 610	(649 610)
-	4 587 910	(4 587 910)	Municipal governance	-	2 597 859	(2 597 859)
-	1 107 603	(1 107 603)	Conditional Grants	-	858 035	(858 035)
		-	**ADMINISTRATION**			-
144 512 573	19 325 930	125 186 643	Council general expenses	153 622 274	17 837 751	135 784 523
-	2 922 303	(2 922 303)	Office of the Municipal Manager	-	2 518 095	(2 518 095)
-	4 547 528	(4 547 528)	Office of the COO	-	4 589 009	(4 589 009)
-	16 485 690	(16 485 690)	Political Support	-	15 595 322	(15 595 322)
6 876 063	10 503 542	(3 627 479)	Financial services	7 132 977	10 624 259	(3 491 282)
-	2 290 294	(2 290 294)	Technical services	-	2 681 486	(2 681 486)
918 088	6 688 163	(5 770 075)	Social development	991 535	6 632 486	(5 640 951)
229 219	17 490 745	(17 261 526)	Corporate services	164 778	18 574 761	(18 409 983)
-	4 261 689	(4 261 689)	Economic development	-	5 289 989	(5 289 989)
152 535 943	**126 506 535**	**26 029 408**		**161 911 564**	**130 030 365**	**31 881 199**

MOTHEO DISTRICT MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances greater than 10% versus budget
Revenue	R	R	R	%	
Property rates	-	-	-	0%	
Service charges	-	-	-	0%	
Rental of facilities and equipment	991 535	-	991 535	100%	Deemed income from investment property not included in the annual budget
Interest earned - external investments	6 895 488	4 475 000	2 420 488	54%	Interest on investments higher than anticipated due to spending patterns
Fines	-	-	-	0%	
Licenses and permits	-	-	-	0%	
Income for agency services	-	-	-	0%	
Government grants and subsidies	153 622 274	154 932 000	(1 309 726)	-1%	
Other income	202 267	35 200	167 067	475%	Grant received from LGSETA not included in the annual budget
Total Revenue	**161 711 564**	**159 442 200**	**2 269 364**		
Expenditure					
LED and Job Creation	4 510 684	8 620 000	(4 109 316)	-48%	Rural development projects not implemented due to issues around ownership of land. Tourism information office was not established
Infrastructure	16 263 023	33 075 100	(16 812 077)	-51%	Infrastructure projects were not completed at year end (Work Contracted - not completed R8,917 million)
Social development	20 807 996	22 962 000	(2 154 004)	-9%	
Safety and security	649 610	1 600 000	(950 390)	-59%	Expenditure on the disaster management framework not incurred.
Municipal governance	2 597 859	3 517 000	(919 141)	-26%	Savings were offered on various institutional programmes
Conditional Grants	858 035	1 000 000	(141 965)	-14%	Spending on GRAP compliant AFS disclosed as commitments
Council general expenses	17 837 751	21 733 300	(3 895 549)	-18%	Savings were offered on salaries and general expenditure
Office of the Municipal Manager	2 518 095	2 966 500	(448 405)	-15%	Savings were offered on salaries and general expenditure
Office of the COO	4 589 009	4 831 800	(242 791)	-5%	
Political Support	15 595 322	17 146 800	(1 551 478)	-9%	
Financial services	10 624 259	11 768 400	(1 144 141)	-10%	
Technical services	2 681 486	3 141 000	(459 514)	-15%	Savings were offered on salaries and general expenditure
Social development	6 632 486	5 752 400	880 086	15%	Deemed expenditure on investment property not included in the budget
Corporate services	18 574 761	20 239 700	(1 664 939)	-8%	
Economic development	5 289 989	5 288 200	1 789	0%	
Total Expenditure	**130 030 365**	**163 642 200**	**(33 611 835)**		
Net surplus/(deficit) for the year	**31 681 199**	**(4 200 000)**	**35 881 199**	**-854%**	

MOTHEO DISTRICT MUNICIPALITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	2010	2010	2010	2010	Explanation of significant variances
	Actual	Budget	Variance	Variance	greater than 10% versus budget
Revenue	R	R	R	%	
Property rates	-	-	-	0%	
Service charges	338	338	-	0%	
Rental of facilities and equipment	918 088	-	918 088	100%	Deemed income on Investment property not budgeted for
Interest earned - external investments	6 776 531	5 586 780	1 189 751	21%	Returns on investment higher than anticipated. Interest capitalised 30 June 2010
Fines	-	-	-	0%	
Licenses and permits	-	-	-	0%	
Income for agency services	-	-	-	0%	
Government grants and subsidies	144 483 897	146 243 000	(1 759 103)	-1%	Health grant gazetted by mistake. Paid to Mangaung LM during April 2009
Other income	279 604	122 769	156 835	128%	Payment received from LGSETA after adjustment budget process
Total Revenue	**152 458 458**	**151 952 887**	**505 571**		
Expenditure					
LED and Job Creation	4 348 612	6 950 300	(2 601 688)	-37%	Rural development project not completed. Disclosed as commitments
Infrastructure	10 374 783	16 325 600	(5 950 817)	-36%	Projects in Mantsopa and Naledi not completed. Disclosed as commitments
Social development	20 834 468	24 064 608	(3 230 140)	-13%	Saving on Environmental Health expenditure - Grant not received
Safety and security	737 275	1 415 000	(677 725)	-48%	Response vehicle transferred to CAPEX, R200,000 saving on the Disaster relief fund
Municipal governance	4 587 910	7 285 000	(2 697 090)	-37%	Savings offered on different institutional programmes
Conditional Grants	1 107 603	1 438 000	(330 397)	-23%	Uncommitted fundswere witheld by National Treasury
Council general expenses	19 325 930	20 622 959	(1 297 029)	-6%	
Office of the Municipal Manager	2 922 303	3 239 355	(317 052)	-10%	Savings offered on salaries and general expenses
Office of the COO	4 547 528	5 178 883	(631 355)	-12%	Savings offered on salaries and general expenses
Political Support	16 485 690	16 401 878	83 812	1%	Contribution to the Leave provision more than expected
Financial services	10 503 542	13 987 394	(3 483 852)	-25%	Savings offered on salaries and general expenses
Technical services	2 290 294	4 239 579	(1 949 285)	-46%	Savings offered on salaries and general expenses
Social development	6 688 163	5 889 775	798 388	14%	Deemed expenditure on Investment Property not budgeted for
Corporate services	17 490 746	19 538 996	(2 048 250)	-10%	Savings offered on salaries and general expenses
Economic development	4 261 689	5 368 040	(1 106 351)	-21%	Savings offered on salaries and general expenses
Total Expenditure	**126 506 536**	**151 945 367**	**(25 438 831)**		
Net surplus/(deficit) for the year	**25 951 922**	**7 520**	**25 944 402**	**345005%**	

MOTHEO DISTRICT MUNICIPALITY

APPENDIX E (2)

ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of Significant Variance greater than 5% versus Budget
	R	R	R	R	R	%	
Council general expenses	670 685	-	670 685	627 200	43 485	7%	Discount as disclosed not included in the budgeted figure
Office of the Municipal Manager	30 216	-	30 216	-	30 216	100%	Acquisition of equipment budgeted for under a central vote. Assets capitalised per user department
Office of the COO	-	-	-	-	-	0%	
Political Support	2 898	-	2 898	-	2 898	100%	Acquisition of equipment budgeted for under a central vote. Assets capitalised per user department
Financial services	22 758	-	22 758	-	22 758	100%	Acquisition of equipment budgeted for under a central vote. Assets capitalised per user department
Technical services	5 989	-	5 989	-	5 989	100%	Acquisition of equipment budgeted for under a central vote. Assets capitalised per user department
Social development	8 695	-	8 695	-	8 695	100%	Acquisition of equipment budgeted for under a central vote. Assets capitalised per user department
Corporate services	145 073	-	145 073	300 000	(154 927)	-52%	Acquisition of equipment budgeted for under a central vote. Assets capitalised per user department
Economic development	-	-	-	-	-	0%	
	886 314	**-**	**886 314**	**927 200**	**(40 886)**		

MOTHEO DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/ withheld				Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep-10	Dec-10	Mar-11	Jun-11	Sep-10	Dec-10	Mar-11	Jun-11	Sep-10	Dec-10	Mar-11	Jun-11	Yes / No	
RSC Levy Replacement Grant	National Government	55 240 135	44 192 269	-	33 143 114	27 381 952	32 845 509	21 474 976	55 342 853	-	-	-	-	Yes	N/a
Equitable Share	National Government	8 223 383	6 578 731	-	4 933 886	4 934 000	4 934 000	4 934 000	4 934 000	-	-	-	-	Yes	N/a
Financial Management Grant	National Government	1 000 000	-	281 000	-	336 677	168 146	166 275	186 937	-	-	-	-	Yes	N/a
Municipal System Improvement Grant	National Government	750 000	-	171 000	-	34 472	87 280	113 456	217 513	-	-	-	-	Yes	N/a
		65 213 518	**50 771 000**	**452 000**	**38 077 000**	**32 687 101**	**38 034 935**	**26 688 707**	**60 681 303**	**-**	**-**	**-**	**-**		

MOTHEO DISTRICT MUNICIPALITY

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30JUNE 2010

Name of Grants	Name of organ of state or municipal entity					Quarterly Expenditure				Grants and Subsidies delayed/ withheld				Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep-09	Dec-09	Mar-10	Jun-10	Sep-09	Dec-09	Mar-10	Jun-10	Sep-09	Dec-09	Mar-10	Jun-10	Yes / No	
RSC Levy Replacement Grant	National Government	53 626 292	42 493 283	32 583 426	-	22 158 223	28 756 490	27 931 411	45 438 350	-	-	-	-	Yes	N/a
Equitable Share	National Government	5 862 025	4 645 048	3 561 927	-					-	-	-	-	Yes	N/a
Financial Management Grant	National Government	750 000	-	-	-	282 230	386 224	86 838	152 310	-	-	-	281 000	Yes	N/a
Municipal System Improvement Grant	National Government	735 000	-	-	-	14 223	206 521	142 795	440 755	-	-	-	171 000	Yes	N/a
		60 973 317	**47 138 331**	**36 145 353**	**-**	**22 454 676**	**29 349 235**	**28 161 044**	**46 031 415**	**-**	**-**	**-**	**452 000**		