KGATELOPELE MUNICIPALITY

Kgatelopele
Munisipaliteit
Masepala Municipality

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPROVAL AND CERTIFICATION

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

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 22 and 23 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER	**CFO**
NV MLAMBO IZQUIERDO RODRIQUEZ	**T MOCKE**
DATE	**DATE**

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GENERAL INFORMATION

COUNCILLORS

APPOINTED 2011

G Kgoronyane	Mayor
PM Mgcera	Member
A J Visser	Member
G P Mc Carthy	Member
A S Adams	Member
W H Cornellisen	Member
O H Sehularo	Member
C Joseph	Member

GRADING OF COUNCIL
Grade 1

AUDITORS
Auditor - General

BANKERS
First National Bank

REGISTERED OFFICE
Bakerstreet
Danielskuil
8450

PO Box 43
Danielskuil
8450

Telephone number	053 - 384 8600
Fax number	054 - 384 0326
E-mail	admin@kgatelopele.gov.za

MUNICIPAL MANAGER
NV Mlambo Izquierdo Rodriquez
HED

CHIEF FINANCIAL OFFICER
T. MOCKE
IDQC (UNISA)
NQF Level 6 (Wits)

STATEMENT OF FINANCIAL POSITION
as at
30 JUNE 2011

	Note	2011	2010
			R
NET ASSETS & LIABILITIES			
Net Assets		**143 966 856**	**116 092 807**
Accumulated surplus/(deficit)	2	143 966 856	116 092 807
Non-current liabilities		2 626 369	**6 170 426**
Long-term liabilities	3	2 626 369	6 170 426
Current liabilities		17 585 653	**9 107 968**
Consumer deposits	4	259 737	187 376
Provisions	5	1 806 819	955 104
Trade and other payables	6	7 282 757	5 990 726
SARS	6	2 592 406	-
Unspent conditional grants and receipts	7	5 043 933	702 772
Current portion of long term liabilities	3	600 000	1 271 989
Total Net Assets and Liabilities		**164 178 878**	**131 371 201**
ASSETS			
Non-current assets		138 148 164	**118 632 019**
Property, plant & equipment	8	138 148 164	118 632 019
Investments	9		-
Current assets		26 030 714	**12 739 181**
Inventory	10	-	2 341
Consumer debtors	11	13 948 929	2 708 021
Other receivables	12	2 453 366	4 533 993
Cash and cash equivalents	13	9 628 420	5 494 826
Total Assets		**164 178 878**	**131 371 200**

STATEMENT OF FINANCIAL PERFORMANCE
for the year ended
30 June 2011

	Note	Actual 2011	Actual 2010 R
REVENUE			
Property rates	14	3 863 745	7 955 765
Electricity	15	7 464 954	8 206 589
Refuse Removal	15	6 497 281	1 874 839
Water	15	3 230 515	3 571 852
Sewerage & Sanitasion	15	2 649 578	2 354 120
Rental of facilities and equipment	16	178 442	205 634
Fines		17 190	10 896
Licenses and permits		477 224	444 236
Revenue unspend grant - Capital	17	-	-
Government grants and subsidies received - operating	17	14 381 272	11 283 860
Government grants and subsidies received - capital	17	3 630 950	16 495 156
DBSA- Write-offs		-	2 820 183
Other revenue	21	8 753 729	74 070
Gain on Non exchange transactions		-	-
SUB TOTAL REVENUE		**51 144 880**	**55 297 199**
Finance Income			
Investment Revenue – external investments	19	221 730	168 502
Interest earned – outstanding debtors	20	-	-
TOTAL REVENUE		**51 366 609**	**55 465 701**
EXPENDITURE			
Employee related costs	22	10 366 588	8 701 415
Remuneration of councillors	23	1 713 712	1 987 180
Bad debts Provision		(8 305 366)	2 344 000
Repairs and maintenance		1 643 390	1 171 876
Bulk purchases Electricity	25	8 837 655	5 663 125
Contributions to Provision for Leave/bonus		942 833	551 543
Contracted services (Security)		2 874 812	2 681 533
Grants & Subsidies paid	26	5 464 341	-
General expenses (including abnormal expenses)	27	7 530 628	6 228 379
Disposal of property, plant and equipment		-	-
EXPENDITURE BEFORE FINANCE COST		**31 068 593**	**29 329 051**
FINANCE COST			
Interest paid	24	557 362	1 009 294
TOTAL EXPENDITURE		**31 625 956**	**30 338 344**
Surplus/(deficit) for the year		**19 740 654**	**25 127 356**
NET SURPLUS/(DEFICIT) FOR THE YEAR		**19 740 654**	**25 127 356**

STATEMENT OF CHANGES IN NET ASSETS
for the year ended 30 June 2011

	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
2009			
Opening balance	**-**	**97 733 323**	**97 733 323**
Pre GAMAP Funds and Reserves	-	-	-
Government Grant Reserve	-	-	-
Donation & Public Contribution Reserve	-	-	-
Restated balance	**-**	**97 733 323**	**97 733 323**
Net surplus for the year		(3 118 983)	(3 118 983)
Prior year adjustments		(1 006 956)	(1 006 956)
Appropriation		-	-
Adjustment jnl 203853 & 203955		-	-
Revaluation of land	-	-	-
Offsetting of depreciation		-	-
Balance at 30 June 2009	**-**	**93 607 384**	**93 607 384**
2010			
Correction of error	-	-	-
Changes in accounting estimate	-	-	-
Restated balance	**-**	**93 607 384**	**93 607 384**
Net surplus for the year	-	25 127 356	25 127 356
- Wentelfonds		(1 680 910)	(1 680 910)
- Debitorder		(1 221)	(1 221)
- Admin controls		(496 181)	(496 181)
- De Beers Debtor		(1 109 795)	(1 109 795)
-VAT correction	-	(490 566)	(490 566)
- Correction of creditors	-	1 667 117	1 667 117
- Openingbalance Siyanda Debtor	-	-	-
- Openingbalance Actaris Prepaid	-	50 127	50 127
- SARS VAT rectified	-	709 556	709 556
- Bank corrections	-	828 061	828 061
- Rectification of Equitable Share	-	533 568	533 568
Correction of error		(2 651 689)	(2 651 689)
	-	-	-
Balance at 30 June 2010	**-**	**116 092 807**	**116 092 807**
2011			
Correction of error	-	-	-
Changes in accounting estimate	-	-	-
Restated balance	**82 528 503**	**116 092 807**	**116 092 807**
Net surplus for the year	-	19 740 654	19 740 654
Corrections prior year (note 28)	-	8 133 395	8 133 395
Property, plant and equipment purchased	-	-	-
Capital grants used to purchase PPE	-		-
Stock stands	-	-	-
Unspend Grant amount transfer to Liability	-		-
Offsetting of depreciation	-	-	-
Balance at 30 June 2011	**82 528 503**	**143 966 856**	**143 966 856**

CASH FLOW STATEMENT
for the year ended
30 JUNE 2011

	Note	2011	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		48 209 339	49 105 149
Cash paid to suppliers and employees		(38 431 127)	(25 131 024)
Cash generated from / (utilized in) operations	**29**	**9 778 212**	**23 974 125**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(19 838 895)	(15 140 739)
Net cash from investment activities		**(19 838 895)**	**(15 140 739)**
CASH FLOW FROM FINANCING ACTIVITIES			
Prior year corrections		9 978 230	
Increase/(decrease) in long term loans/lease		4 216 046	(2 526 004)
Net cash from financing activities		**14 194 276**	**(2 526 004)**
Increase/(decrease) in cash and cash equivalents		**4 133 593**	**6 307 382**
Cash and cash equivalents at beginning of the year		**5 494 826**	**(812 556)**
Cash and cash equivalents at end of the year	13	**9 628 420**	**5 494 826**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
30 JUNE 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

In accordance with section 122(3) of the Municipal Finance Management Act (Act 56 of 2003), the Municipality has adopted the Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year. GAMAP and GRAP standards are fundementally different to the fund accounting policies, adopted in previous years. Comparitive ammounts have been restated retrospectively to the extent possible. The effect of change in accounting policy arising from implementation of GAMAP and GRAP.

1.2 PRESENTATION CURRENCY AND VALUE-ADDED TAX

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

The Municipality accounts for value-added tax on the cash basis.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

GRAP 18 Segment Reporting - issued March 2005
GRAP 21 Impairment of non-cash-generating assets
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 26 Impairment of cash-generating assets
GRAP 103 Heritage Assets - issued July 2008

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

GRAP 12- Inventories;
GRAP 13- Leases;
GRAP 16- Investment Property;
GRAP 17- Property, Plant and Equipment;
GRAP 19- Provisions, Contingent Liabilities and Contingent Assets;
GRAP 100- Non-current Assets Held for Sale and Discontinued Operations;
GRAP 102- Intangible Assets.

These Transitional Provisions allows for extention period of 3 years from converting to GRAP Standards.
Kgatelopele Municipality will phase out these provisions and will fully comply with the standards of GRAP

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

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

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

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

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

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.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS]

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revalutaion.

An increase in the carrying amount of an asset as a result of a revalutation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBEQUENT MEASUREMENT - COST MODEL

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

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

2.4 DEPRECIATION AND IMPAIRMENT

The municipality made use of the excemption as per Dir 4

2.5 DERECOGNITION

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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitlised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;

Intangible assets are initially recognised at cost.

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

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

3.2 SUBEQUENT MEASUREMENT - COST MODEL

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

3.3 AMORTISATION AND IMPAIRMENT

The municipality made use of the excemption as per Dir 4

3.4 DERECOGNITION

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

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

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

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

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

The municipality made use of the excemption as per Dir 4

4.3 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:
- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

5.2 SUBSEQUENT MEASUREMENT

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

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

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

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

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less.

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

7.2 SUBSEQUENT MEASUREMENT

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

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

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

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are intitally recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

8.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value. Cost refers to the initial carrying amount, plus interest, less repayments. Amounts that are receivable within 12 months from the reporting date are classified as current.

8.2.3 TRADE PAYABLES AND BORROWINGS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liaibilities held at amortised cost, are intitially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

Creditors are recognised at cost and no interest was recognised as a result of any time value of money adjustments as permitted per directive 4

8.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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

9 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 municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor's share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

10 UNAUTHORISED EXPENDITURE

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

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 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 expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13 PROVISIONS

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

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring idenfifying at least:

- the business or part of a business concerned;

- the principal locations affected;

-the location, function, and approximate number of employees who will be compensated for terminating their services

-the expenditures that will be undertaken; and

- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

14 LEASES

14.1 MUNICIPALITY AS LESSEE

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

Medium and Low Municipalities are not required to recognise finance lease liabilities if GRAP 17 has not been complied with. However, nformation about financial lease liabilities relating to assets that have not been recognised in the Municipality's financial statements must be disclosed in accordance with GRAP 13.

14.2 MUNICIPALITY AS LESSOR

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

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

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

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

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

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

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

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.
Other debtors are recognised at cost as permitted in terms of directive 4.

15.3 GRANTS, TRANSFERS AND DONATIONS

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

16 BORROWING COSTS

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

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs*

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

19 IMPAIRMENT OF ASSETS

Municipality implemented Dir 4

20 CONTINGENT LIABILITIES

All known contigent liabilities are reflected in the financial statements

21 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

NOTES TO THE FINANCIAL STATEMETNTS
30 JUNE 2011

	2011	2010 R
2 ACCUMULATED (SURPLUS)/DEFICIT		
Accumulated (surplus)/Deficit: beginning of year	**116 092 807**	**93 607 385**
Operating (surplus)/deficit for the year	19 740 654	25 127 356
Prior year adjustment	8 133 395	(2 641 934) -
Sub Accumulated surplus: end of year	**143 966 856**	**116 092 807**
Government Grant Reserve		-
Donations and Public Contribution Reserve (utilized)	0	-
Accumulated surplus: end of year	**143 966 856**	**116 092 807**
3 LONG TERM LIABILITIES		
Annuity loans	3 226 369 -	7 442 415 -
Sub-Total	**3 226 369**	**7 442 415**
Less: Current portion transferred to current liabilities	(600 000)	(1 271 989)
Total External Loans	**2 626 369**	**6 170 426**

Refer to Appendix A for more detail on long term liabilities.

	2011	2010
4 CONSUMER DEPOSITS		
Opening Balance		
Opening Balance	187 376	-
Consumer Deposits	69 830	-
Hall Deposits	2 532	187 376
Total consumer deposits	**259 737**	**187 376**
Guarantees held in lieu of electricity deposits	**-**	**-**
5 PROVISIONS	**1 806 819**	**955 104**
Sundry Debtors & Environmental	**2 761 923**	**955 104**
Balance at beginning of year	955 104	-
Provision for leave	774 421	706 089
Provision for bonus	542 398	249 015
Rehabilitation of landfill	490 000	-

NOTES TO THE FINANCIAL STATEMETNTS
30 JUNE 2011

The movement in current provisions are reconciled as follows: -	**Performance Bonus**	**Provision for leave**
AS AT 30 JUNE 2010	249 015	706 089
Contributions to provision	293 383	68 332
Expenditure incurred		-
AS AT 30 JUNE 2011	**542 398**	**774 421**
	Rehabilitation of landfill	
as at 30 June 2010	-	-
Contributions to provision	490 000	-
Expenditure incurred		-
AS AT 30 JUNE 2011	**490 000**	**-**

Performance bonuses are paid one year in arrear as the assessment of eligible employees had not taken place at the reporting date and no present obligation exist.

6 TRADE AND OTHER PAYABLES

		-
Admin kontrole	-	
Pre paid elec sold not utilize	124 799	-
Unallocated Debtor Credits	789 160	-
Creditors provision [old year]	1 895 156	5 393 781
Creditors provision [new year]	3 712 681	
Income not receipted	36 317	252 378
Post Employment health	384 500	
Salary Controle	-	29 712
Sundr no-vat services	-	310 414
Masakane Controle	340 144	4 441
		-
Sub Total creditors	**7 282 757**	**5 990 726**
SARS - VAT	2 592 406	-
Total creditors	9 875 163	5 990 726

Creditors are recognised at cost and no interest was recognised as a result of any time value of money adjustments as permitted per directive 4

7 UNSPEND CONDITIONAL GRANTS FROM GOVERNMENT

Mig EPWP	877 592	
Toilet Projek	0	
De Beers 142 Toilets	-	
Toilette	-	
Building of Houses	1 839 811	
New water source Tlakalatlo	411 072	
Community Lighting	8 852	
Refuse site	1 906 605	
Municipal infrastructure grant	-	702 772
Integrated national electricity programme	-	-
Total conditional grants and receipts	**5 043 933**	**702 772**

Funds are committed to projects. Some of projects was completed in 2010/2011. The funds still need to be paid.

8 PROPERTY, PLANT & EQUIPMENT

		Infrastructure	Land and Buildings	Other Assets	Housing Development Fund	Total
	R	R	R	R	R	R 0
Reconciliation of Carrying Value						
Carrying values at 1 July 2010	**0**	**102 729 013**	**12 606 999**	**3 296 007**	**0**	**118 632 019**
Cost		102 729 013	12 606 999	3 296 007		118 632 019
Accumulated depreciation – cost		-	-	-		-
Acquisitions		15 489 764	4 161 469	187 662	0	19 838 895
Reconstruction			-	-		-
Capital under construction			-	-	0	-
Depreciation – based on cost		-	-	-		-
		-	-	-		-
Carrying value of disposals	0	-	322 750	-	0	322 750
Cost		-	322 750	-	0	322 750
Accumulated depreciation		-	-	-	0	-
Carrying values at 30 June 2011	**0**	**118 218 777**	**16 445 718**	**3 483 669**	**0**	**138 148 164**
Cost	0	118 218 777	16 445 718	3 483 669	0	138 148 164
Accumulated depreciation – cost	0	-	-	-	0	-
Reconciliation of Carrying Value						
Carrying values at 1 July 2009	**0**	**86 619 513**	12 271 995	**3 210 429**	**0**	**102 101 937**
Cost		86 619 513	12 271 995	3 210 429		102 101 937
Accumulated depreciation – cost		-	-	-		-
Acquisitions	0	-	-	-	0	-
Capital under construction	0	-	-	-	0	-
Depreciation – based on cost	0	-	-	-	0	-
Carrying value of disposals	0	-	-	-	0	-
Cost	0	-	-	-	0	-
Accumulated depreciation	0	-	-	-	0	-
Other movements	0	-	-	-	0	-
Carrying values at 30 June 2010	**0**	**102 729 013**	**12 606 999**	**3 296 007**	**0**	**118 632 019**
Cost	0	102 729 013	12 606 999	3 296 007	0	118 632 019
Accumulated depreciation – cost	0	0	0	0	0	0

The Municipality has taken advantage of the transitional provisions set out in Directive 4. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2012. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Futhermore, the Municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30June 2012.

	2011	2010
	R	R
9 INVESTMENTS		
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
	-	-
		-
Long Term Fixed Deposits	-	
Total Investments	**-**	**-**

	2011	2 010
	R	R
10 INVENTORY		
Consumable stock	-	2 341
Unsold Municipal land	-	-
Total	**-**	**2 341**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2011

11 DEBTORS

	Gross Balance	Provision for Bad Debt	Net Balance
	R	R	R
30 June 2011			
Service debtors:	**24 049 393**	**(10 100 464)**	**13 948 929**
Property rates	6 663 444	(2 798 569)	3 864 875
Electricity	1 804 078	(757 692)	1 046 386
Refuse	2 863 980	(1 202 838)	1 661 142
Water	8 455 835	(3 551 352)	4 904 483
Sewerage	3 679 493	(1 545 344)	2 134 149
Other	582 562	(244 669)	337 892
Sundry Debtors		-	-
Advanced Payments	-	-	-
Roundings	-	-	-
Total	**24 049 393**	**(10 100 464)**	**13 948 929**

Contribution to bad debt provision	
Debt written off for the year	-
Property rates	-
Electricity	-
Water	-
Sewerage	-
Refuse	-
Other	-

	Gross Balance	Provision for Bad Debt	Net Balance
30 June 2010			
Service debtors:	**21 113 852**	**(18 405 830)**	**2 708 021**
Property rates	5 528 008	(4 818 996)	709 011
Electricity	1 886 243	(1 644 317)	241 926
Refuse	2 186 681	(1 906 222)	280 459
Water	8 086 211	(7 049 090)	1 037 122
Sewerage	3 426 708	(2 987 206)	439 503
Other	-	-	-
Sundry Debtors		-	-
Correction vote	-	-	-
Other	-	-	-
Total	**21 113 852**	**(18 405 830)**	**2 708 021**

Contribution to bad debt provision	
Debt written off for the year	16 087 984
Property rates	-
Electricity	-
Water	-
Sewerage	-
Refuse	-
Other	16 087 984

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
Property Rates		
Current	392 373	398 643
0-30 days	337 034	
31–60 days	284 929	252 245
61–90 days	273 032	216 889
91–120 days	5 376 076	207 666
121–150+ days	-	4 452 565
Advanced Payments	-	-
Sub-total	**6 663 444**	**5 528 008**
Services - Elec		
Current	600 909	-
0-30 days	370 136	
31–60 days	196 609	-
61–90 days	85 856	-
91–120 days	542 168	-
121–150+ days	-	-
Advanced Payments	-	-
Sub-total	**1 795 676**	**-**
Refuse		
Current	306 932	-
0-30 days	145 691	
31–60 days	127 039	-
61–90 days	56 642	-
91–120 days	2 302 681	-
121–150+ days	-	-
Advanced Payments	-	-
Sub-total	**2 938 986**	**-**
Water		
Current	399 995	-
0-30 days	327 048	
31–60 days	225 296	-
61–90 days	140 503	-
91–120 days	7 374 642	-
121–150+ days	-	-
Advanced Payments	-	-
Sub-total	**8 467 483**	**-**
Sewerage		
Current	315 259	-
0-30 days	92 875	
31–60 days	66 116	-
61–90 days	61 779	-
91–120 days	3 085 232	-
121–150+ days	-	-
Advanced Payments	-	-
Sub-total	**3 621 261**	**-**

NOTES TO THE FINANCIAL STATEMENTS

Other			
Current	22 151		15 585 843
0-30 days	5 494		
31–60 days	6 465		-
61–90 days	1 329		-
91–120 days	527 103		-
121–150 days	-	-	-
Advanced Payments	-		-
Sub-total	**562 542**		**15 585 843**
Total consumer debtors	**24 049 393**		**21 113 851**

Made up as follows:		
Current	2 037 619	21 113 851
0-30 days	1 278 277	
31–60 days	906 455	
61–90 days	619 141	
91–120 days	19 207 901	
121–150 days	-	
Advanced Payments	-	-
Total	**24 049 393**	**21 113 851**
Advanced payments	-	
Correction vote	-	-
	24 049 393	**21 113 851**

Debtors are recognised at cost as permitted in terms of derective 4

DEBTORS BY CONSUMER CLASSIFICATION

Sundry Debtors	1 335 341	-
Agricultural	783 901	-
Business	2 750 574	-
Educational	-	-
Industrial	1 795	-
Institution	10 516	
Public open space	1 728	
Mine	-	-
Residential	19 118 699	-
Residential 4	-	-
Churches	-	-
Special	46 839	-
State Property	-	-
Total	**24 049 393**	**-**

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2011

11a. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2011	2010
BALANCE	**42 212 709**	**52 197 313**
Propery Rates	3 863 745	7 955 765
Electricity	7 464 954	8 206 589
Refuse	6 497 281	1 874 839
Water	3 230 515	3 571 852
Sewerage	2 649 578	2 354 120
Licences and Permits	477 224	444 236
Fines	17 190	10 896
Government Grants and Subsidies	18 012 222	27 779 016

11b TRADE AND OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS

	2011	2010
BALANCE	**9 153 900**	**3 268 388**
	-	-
Gain on Non exchange transactions	-	-
Rentals of Facilities	178 442	205 634
Interest earned - External Investment	221 730	168 502
Less Indigent Subsidy	-	-
DBSA- Write-offs	-	2 820 183
Rezoning Costs	1 737	1 069
Funeral	9 490	27 877
Photocopies	801	902
Buildingplan	38 276	35 934
Subsidies	1 500	3 956
Valuation Certificates	17 394	2 276
Administration Costs	-	1 905
Tender Documents	15 874	(250)
Sundr no-vat scrap	-	400
Houses	4 516 004	
Payroll commission	4 717	
Donations	600	
Network connection DMEA 2003	203 906	
Caravan Park	3 558	
Learnership - DE Beers	262 803	
Learnership - Idwala	27 000	
Varios Sundry Income	27 076	
Income	3 622 990	
TOTAL REVENUE	**51 366 609**	**55 465 701**

		2011	2 010
			R
12	**OTHER RECEIVABLES**		
	Toilets	-	292 292
	Unauthorized Expenditure	471 621	471 621
	Eradication of buckets	-	14 753
	Building of houses	-	846 720
	Sewerpump Station Kuilsville	-	34 200
	Borehole (Jakkalsgate)	-	104 457
	New Water Source Tlakalathlou	-	31 350
	EPW Project	-	
	Tlak Bulkwater MIG 257	-	
	Electricity 295 stands	-	809 929
	Toilet Project	-	1 033
	Sport Fund	-	13 980
	De Beers SLP	-	130 323
	Creditors control	-	
	Vat receivable	1 981 744	1 312 943
	VAT control	-	
	Other	-	470 392
	Total Other Debtors	**2 453 366**	**4 533 993**
	Debt written off for the year		

Other debtors are recognised at cost as permitted in terms of directive 4.

		2011	2 010
13	BANK & CASH BALANCES		
	The municipality has the following bank accounts:		
	First National Bank - Branch: Danielskuil		
	Account number : 52003878794		
	Type : cheque account		
	Current account (primary bank account)		
	Bank statement balance at beginning of year	-	79 076
	Bank statement balance at end of year	-	220 269
	Stale cheques not cancelled	-	
	Cash book balance at beginning of year	-	(895 689)
	Increase/(decrease) in cash book balance	-	1 158 434
	Cash book balance at end of year	**1 479 686**	**262 745**
	<u>**Cash on hand**</u>		
	Total cash and cash equivalents	-	2 505
	Cash book balance at end of year	**-**	**2 505**
	Total bank & cash balances	**1 479 686**	**265 250**
	<u>**Call Accounts**</u>		
	First National Bank - Branch: Danielskuil Account number: 62067443582	70 232	69 125

First National Bank - Branch: Danielskuil Account number: 62021476313	4 383 527	57 329
First National Bank - Branch: Danielskuil Account number: 62028354562	4 017	758 169
First National Bank - Branch: Danielskuil Account number: 62076025016	1 179 445	21 605
First National Bank - Branch: Danielskuil Account number: 62076024571	288 964	324 569
First National Bank - Branch: Danielskuil Account number: 62260630829	4 804	362 015
First National Bank - Branch: Danielskuil Account number: 62260631918	1 613 381	3 636 765
First National Bank - Branch: Danielskuil Account number: 62289228548	251 671	
First National Bank - Branch: Danielskuil Account number: 62289233547	350 682	
First National Bank - Branch: Danielskuil Account number: 62289312094	1 006	
First National Bank - Branch: Danielskuil Account number: 62289352727	1 006	
Cash book balance at end of year	**8 148 734**	**5 229 576**
Total bank & cash balances	9 628 420	5 494 826

Disclosure in terms of the MFMA, 2003, Section 125(2)(a).

32. (continue)

Disclosure concerning councilors

Section 124(1)(b) The following councillors had arrear accounts outstanding as at 30 June 2011:	Total 30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	30 June 2011
A J VISSER	1 948.95	**868.17**	**1 027.29**	**1 895.46**
G P Mc CARTHY	4 160.74	**1 393.69**	**2 977.03**	**4 370.72**
A S ADAMS	21 578.01	**1 964.74**	**27 674.47**	**29 639.21**
W H CORNELLISEN	3 251.14	**377.55**	**4 208.58**	**4 586.13**
O H SEHULARO	4 965.07	**133.72**	**5 370.94**	**5 504.66**
Total	**35 903.91**	**4 737.87**	**41 258.31**	**45 996.18**

During the year the following councillors had arrear accounts outstanding for more than 90 days:	Highest amount outstanding	Ageing	During 2011
		days	
		days	

No Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2011.

In terms of this section, any arrears by individual councillors to the municipality for rates and services, which at any time during the relevant financial year was outstanding for more than 90 days, including the names of those councillors must be disclosed.

Section 64(3)
Outstanding consumer accounts
Government institutions

	Arrear	Current	Outstanding 30 June 2011	Arrear	Current	Outstanding 30 June 2010
Other government institutions			0			0
Department of Public Works (Other)	42063.89	0	42063.89	0	0	0
Department of Education & Schools	0	0	0	0	0	0
Department of Public Works	0		0	0		0
Total	**42063.89**	**0**	**42063.89**	**0**	**0**	**0**

In terms of the section, National Treasury was informed of the arrear accounts of schools for periods of more than 30 days.

33 CERTIFICATION AND APPROVAL BY THE ACCOUNTING OFFICER

**CERTIFICATION AND APPROVAL
BY THE ACCOUNTING OFFICER**

I, the undersigned, are responsible for the preparation of these annual financial statements which are set out on pages X-and,

Certify that the remuneration of councillors (as disclosed in note 26) is in accordance with the Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government’s determination of the upper limits of the salaries, allowances and benefits as promulgated annually.

NV MLAMBO IZQUIERDO RODRIQUEZ **DATE**
MUNICIPAL MANAGER

35 CONTINGENT LIABILITIES

	2011	2010
Claim for damages	**735 000**	735000
Consultant on VAT services delivered is claiming fron Municipality		
Performance bonus dispute – Legal fees		
Total	**735 000**	**735000**

36 CONTINGENT ASSETS

	2011	2010
A list of possible asset claims where outcome was unknown at year en		
Total		

37 OPERATING LEASES

	2011	2010
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:	Total Payment	Total Payment
Total 30 June 2010	0	
Total July 2010 to June 2011	0	
	0	
Total June 2011	**0**	0
Total 30 June 2010	0	0
Total July 2010 to June 2011	0	0
Total June 2011	**0**	0

	1 year	1-5 years	More than 5 years
	R	R	R
2011			
Minimum lease payments	0	0	0
Finance cost			
Present value	0	0	0
2010			
Minimum lease payments	0	0	
Finance Cost			
Present value	0	0	0

Medium and Low Municipalities are not required to recognise finance lease liabilities if GRAP 17 has not been complied with. However, nformation about financial lease liabilities relating to assets that have not been recognised in the Municipality's financial statements must be disclosed in accordance with GRAP 13.

38 INCOME FOREGONE

	2011	2010
	R	**R**
Rebate on Rates	0	0
R30 000 given for the year 10/11	35 881	0
	35 881	0

39 ELECTRICITY PRE-PAID POWER CARDS

Value of cards as at 30 June 2011		
	0	0
	0	0
	0	0
	0	0
	0	0
	0	0
	0	0

40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

40.1 Unauthorised expenditure

	2011	2010
Balance at beginning of the year	**1 237 555**	**1 237 555**
Unauthorised expenditure current year	0	-
Approved by Council or condoned	0	
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	**1 237 555**	**1 237 555**

40.2 Irregular expenditure

Reconciliation of irregular expenditure

	2011	2010
Opening balance	**2 735 750**	**2 766 752**
Fruitless and wasteful expenditure current year	-	
Condoned or written off by Council	-	(17 502)
Transfer to receivables for recovery – not condoned	-	(13 500)
Irregular expenditure awaiting condonement	**2 735 750**	**2 735 750**

Due to deviations from the procurement processes (invitations of three written quotations, increase to bidding price, and no relevant contract or tender documentation) that were approved on the basis of it being an emergency while it was possible to comply with the requirements or where proper planning would have prevented the deviations.

40.3 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2011	2010
Opening balance -	35 088	34 052
Current year - Interest charge on late payment of Telko accounts - R 1036		1 036
Condoned or written off by Council	-	-
To be recovered – contingent asset [note 40]		
Fruitless and wasteful expenditure awaiting condonement	**35 088**	**35 088**
TOTAL UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL	**4 008 393**	**4 008 393**

41 IN-KIND DONATIONS AND ASSISTANCE

	2011	2010
The Municipality received the following in-kind donation and assistance		
	0	**0**
	0	**0**
	0	**0**

42 RELATED PARTIES

Joint Ventures	**0**	**0**
Associates	**0**	**0**
Members of key management	**0**	**0**
Close family member of key management	**0**	**0**
Post employment benefit plan for employees o municipality and/or other related parties	**0**	**0**
Other related party relationships	**0**	**0**
Compensation to councillors and other key managemer (refer to note 26 & 27)	**0**	**0**
	0	**0**

43 EVENTS AFTER THE REPORTING DATE

44 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree o estimation uncertainty:

Useful lives and residual values of property, plant, an equipment

Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rat used, number of years, amount of cash flows)
Present value of defined benefit obligation
Provision for doubtful debts
Provision for long-term service award
Other

The following areas involved judgements, apart from thos involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Provisions
Other

45 RISK MANAGEMENT

45.1 Maximum credit risk exposure

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

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

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

45.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

45.3 Interest rate risk

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

OR

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

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

- Call deposits
- Notice deposits
- Long term annuity
- Development Bank of South Africa loan
- FNB overdraft

45.4 Other price risk

46 RESTATEMENT OF COMPARATIVE INFORMATION

Kgatelopele Municipality converted from the old IMFO Standards to GRAP Compliant standards during the 2010 financial year. Comparative figures were restated where possible.

47 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financia performance with that budgeted is set out in Annexures E(1) and E(2)

48 RETIREMENT BENEFIT INFORMATION

48.1 Defined contribution plan

The following are defined contribution plans: These contributions have been expensed

542 398

48.2 Defined benefit plan

Pension Fund
The employees contribute various pension funds such as: Cape Joint Municipal Pension Fund, SAMWU National Fund, Sanlam Pension Fund, Momentum and Municipal Pension fund which is defined contribution funds. These valuations indicate that the plan is in a sound financial position. The retirement fund benefit is subject to the Pension Fund Act, 1956, with pension being calculated o the pensionable remuneration paid. Full actuarial valuations are performed at least every three years.

Medical Fund 384 500.00
The municipality does not provide post retirement medica benefits to retired staff according to the rules of the medical aid funds.

49 EXEMPTIONS OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

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Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards.	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:	Y	**The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below. The GRAP standards have been issued and MLM is still exempt from full compliance until 2010/2011. MLM continue with the implementation plan as set out below:** GRAP 4, 5, 6, 7, 8, 9,10, 11, 12, 13, 14, 16, 17, 19, 100, 101, 102	
		GRAP 4 The Effects of Changes in Foreign Exchange Rates		Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.	Highly likely that no adjustments to the AFS will be required as there are no fundamental differences between these GAMAP and GRAP standards.
		GRAP 5 Borrowing Costs		GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.	A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.
		GRAP 6 Consolidated AFS		The municipality does have municipal entities	Will be Consolidated for 0809
		GRAP 7 Associates		The municipality did not invest in an associate	No adjustment required.
		GRAP 8 JV's		Them municipality did not enter into a Joint Venture	No adjustment required.
		GRAP 9 Revenue			
		GRAP 10 Financial Reporting in Hyperinflationary Economies			
		GRAP 11 Construction Contracts		GRAP 10 and 11. The municipality does not have these types of transactions.	No adjustment required.
		GRAP 12 Inventories			
		GRAP 13 Leases		GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards, if applicable, except for the exemptions adopted as set out below per standard.	See adjustments required as per relevant sections of this document set out below.
		GRAP 14 Events After the Reporting Date			
		GRAP 16 Investment Property			
		GRAP 17 Property, plant and equipment			
		GRAP 18 Segment Reporting			
		GRAP 19 Provisions, Contingent Liabilities and Contingent Assets			
		GRAP 100 Non Current assets held for sale			
		GRAP 101 Agriculture			
		GRAP 102 Intangible Assets			
		Changes in accounting policies (GRAP 3.14, 19)	Y	No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.	No adjustments to the AFS are required.

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GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	Y	In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods form the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.	No adjustments to the AFS are required.
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	Y	Currently the municipality does have land and buildings that will be sold within the next twelve months as inventories. No implementation plan needs to be executed to ensure compliance with GAMAP 12.	No adjustments will need to be made to the AFS to comply with accounting for inventories land and buildings in terms of GAMAP 12:
		The entire standard as far as it relates to water stock that was not purchased by the municipality.	N/A	The municipality does not provide water service.	The following adjustments will need to be made to the AFS to comply with accounting for purified water in terms of GAMAP 12: None
		Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 71, 77)	Y	1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic. 2) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 3) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.	The following adjustments will need to be made to the AFS if the review of useful lives of PPE result in a change in estimate. 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.
		Review of depreciation method applied to PPE recognised in the annual financial statements(GAMAP 17.62, 77)	Y	1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate.	The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate. 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectivel 2) A note on the change in estimate will be disclosed if the change in estimate is material.
				1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);	The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time: 1) The carrying amount of PPE will be reduced.

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GAMAP 17	Property, plant and equipment	Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life in the fixed asset register. ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) Adgering to al disclosure requirements.
		Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaing useful life is shorter than the remaing useful life in the fixed asset register ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time: 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.
IAS 11 AC 109	Construction contracts	Entire standard	Y	The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.	The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the
IAS 14 AC 115				1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14. 2) Determine the business and geographical segments of the municipality. 3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa.	The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met. The primary reporting format requires inter alia, disclosure of: 1) Segment revenue for every reportable segment.

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	Segment reporting	Entire standard	Y	4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats.	2) Segment results for every reportable segment. 3) Segment assets for every reportable segment. 4) The total cost incurred during the period to acquire reportable segment long term assets. 5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements. Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.
IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	Y	1) The municipality must obtain copies of all existing current lease agreements. 2) For each lease agreement the municipality must distinguish each lease as a Finance Leases or an Operating Lease. 3) Assets held in terms of Finance Leases as defined in IAS 17 must be capitalised and subsequently depreciated and/or impaired. 4) Operating Leases that have fluctuating payment arrangements must be identified and operating lease expenses that fall within this category must be straight-lined (smoothed).	The following adjustments will need to be made to the AFS if operating lease payments are straight lined as opposed to accounting for them based on cash flows: Currently, operating lease payments are accounted for based on the cash flows in the lease agreement and therefore the actual amount of lease instalments incurred per annum is recognised in the Statement of Financial Performance. Once straight lining is donethe amount recognised in the statement of financial performance will be the average annual instalment calculated over the entire lifespan of the leaser. If the actual instalement in a year is more than the average instalment the difference will be shown either as a prepayment (debtor) in the AFS or if the actual instalments in a year are less than the average instalment the difference will be shown as an accrual (creditor) in the AFS.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	Y	1) The municipality must obtain actuarial valuation reports of all defined benefit plans. 2) The valuations obtained in point 1 above will have to studied and analysed to extract all the relevant information necessary for defined benefit accounting as set out in IAS 19. 3) The necessary disclosures in terms of IAS 19 must still be performed.	No work had been done in terms of IAS 19 as of yet. Thus the full requirements and steps listed in the previous column must still be performed.
				1) Currently all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46.	1) Unbundle the balance on the GGR and transfer it to a deferred income account.

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IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	Y	2) On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from the serve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. 3) On the implementation of IAS 20, unbundled the GGR by transferring the balance to a deferred income account. 4) For future depreciation charges in respect of assets that have a carrying amount equal to the deferred income account on the date of the unbundling of the GGR, ensure that an amount equal to the depreciation charge is transferred from deferred income to the Statement of Financial Performance.	2) Capital Grants utilised will no longer be transferred to a GGR via the Statement of Financial Performance and the Statement of Changes in Net Assets. Once an amount is utilised it will be transferred directly from the unspent capital conditional grant creditor to a creditor called deferred income. Therefore the GGR (Rederve) will be replaced by a creditor called deferred income. 3) In future a transfer will be made from the deferred income account to the Statement of Financial Performance to annually offset the amount of depreciation in respect of assets funded from government grants. The GGR will no longer exist and therefeno transfer from the GGR to the accumulated surplus to offset depreciation will be made on the Statement of Changes in Net Assets.
IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that: ➢ Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); ➢ Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); ➢ Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shoeter than the remaining yseful life on the fixed asset register. ➢ Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life. ➢ Show that they are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.	The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time: 1) The carrying amount of PPE will be reduced. 2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses. 3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses. 4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material. 5) All disclosure requirements as required by IAS 36.
IAS 38				1) Ensure that all assets that meet the definition of an intangible asset and the recognition criteria for an asset are identified by scrutinising the FAR and capital purchases file.	The following adjustments will need to be made to the AFS if intangible assets are accounted for in terms of IAS 38:

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(AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	Y	2) Ensure that all intangible assets identified are measured initially at their cost price: **Examples** of items which may meet the definition of an intangible asset in the municipal environment are: • A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year. 3) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets retirements and disposals of intangible assets and internally generated intangible assets.	1) If any intangible assets are currently classified as part of PPE, then the application of IAS 38 will lead to a reclassification of these items as intangible assets, with a new line item called intangible assets being reflected on the Statement of Financial Position. This will result in the carrying amount of PPE and an increase in a new asset called intangible assets. 2) In future a new expense item will be reflected in the Statement of Financial Performance called amortisation, which reflects the amount of "depreciation" on the intangible assets for the year. 3) If intangible assets have been incorrectly expensed in the past this can be regarded as a prior period error and should be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the municipality. 4) An accounting policy note related to the accounting treatment of Intangible assets will need to be developed and disclosed. 5) The municipality shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets: (a) The useful lives or the amortisation rates used; (b) The amortisation methods used for intangible assets with finite useful lives; (c) The gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; (d) The line item(s) of the Statement of Financial Performance in which any amortisation of intangible assets is included; (e) A reconciliation of the carrying amount at the beginning and end of the period showing: (i) Additions, indicating separately those from internal development, those acquired separately, and those acquired through business combinations;

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					(ii) Any amortisation recognised during the period; 6) The municipality shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period. 7) The municipality shall give a description of any fully amortised intangible asset that is still in use. 8) The municipality shall also disclose the following: • A description, the carrying amount and remaining amortisation period of any individual intangible asset that is material to the entity's financial statements. • For intangible assets acquired by way of a government grant and initially recognised at fair value: (i) The fair value initially recognised for these assets; (ii) Their carrying amount; and (iii) Whether they are measured after recognition under the cost model or the revaluation model. • The amount of contractual commitments for the acquisition of intangible assets.
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value(IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	Y	1) The municipality must study the applicable sections of IAS 39. 2) The fair values of these financial instruments will have to be determined, based on the type of financial instrument as per IAS 39.9. 3) Discounting of certain financial instruments will have to be performed if the discounted value differs materially from its cost/ face value.	The full initial measurement of financial assets and liabilities will have to be recalculated and corrected retrospectively, is practicable. The previous column gives an indication of the extent of adjustment for full compliance with IAS 39.43, AG79, AG64 - AG65 and SAICA circular 9/06.
IAS 40 (AC 135)				1) Prepare a list of all possible names under which property belonging to the municipality could have been registered in the past. 2) Perform a title deeds search using all these names mentioned in 1) above to identify all land and buildings under the control of the municipality.	The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Fair Value. • The criteria developed by the municipality to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations;

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The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards listed in Accounting Policy 1. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the annual financial statements would need to be adjusted to achieve compliance with exempted standards has also been stated in the table.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards.	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	Y	3) Compare the results of the title deeds search to the Fixed Asset Register and the Valuation roll and adjust the FAR to reflect all land and buildings under the control of the municipality. 4) Value all land and buildings, which were previously not reflected on the FAR at fair value where historical cost prices and acquisition dates are unknown. 5) Identify and reclassify as Investment Property (IP) all land and buildings reflected on the updated FAR meeting the definition of Investment Property as per IAS 40. 6) Decide on an accounting policy for the subsequent measurement of IP i.e. cost price less accumulated depreciation or Fair Value. 7) Ensure that the necessary procedures are put in place to ensure the proper accounting treatment of IP after initial recognition to deal with the accounting for subsequent expenditure, disposal of IP, transfers of IP, Fair value increases etc.	• The methods and significant assumptions applied in determining the fair value of investment property. • The extent to which the fair value of investment property is based on a valuation by an independent valuer. • The amounts included in the statement of financial performance for: (a) Rental revenue from investment property; (b) Direct operating expenses arising from investment property that **generated rental revenue** during the period; and (c) Direct operating expenses arising from investment property that **did not generate rental revenue** during the period; (d) Fair value increases in IP • The existence and amounts of restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal; • Material contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements; • A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (a) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure; (b) Additions resulting from acquisitions through municipality combinations; (c) Disposals; (d) Net gains or losses from fair value adjustments;

49 EXEMPTIONS OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards listed in Accounting Policy 1. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the annual financial statements would need to be adjusted to achieve compliance with exempted standards has also been stated in the table.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards.	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
					(e) Transfers to and from inventories and owner-occupied property; and (f) Other movements.
					The following adjustments will need to be made to the AFS if IAS 40 is implemented and if IP is measured at Cost Price less accumulated depreciation. If the municipality elects to reflect all of its investment properties **at cost less accumulated depreciation,** ensure disclosure in the AFS of the following information, in addition to any relevant information required by the disclosure requirements relating to IP at fair value as set out above: • The depreciation methods used; • The useful lives or the depreciation rates used; • The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; • A reconciliation of the carrying amount of investment property at the beginning and end of the period showing the following (comparative information is not required): (i) Additions, disclosing separately those additions resulting from acquisitions and those resulting from capitalized subsequent expenditure; (ii) Additions resulting from acquisitions through municipality combinations; (iii) Disposals; (iv) Depreciation; (v) The amount of impairment losses recognized, and the amount of impairment losses reversed, during the period; (vi) The net exchange differences arising on the translation of the financial statements of a foreign municipality; (vii) Transfers to and from inventories and owner – occupied property; and (viii) Other movements; and • The fair value of investment property. In the exceptional cases , when the municipality cannot determine the fair value of the investment property reliably, the municipality should disclose: (i) A description of the investment property; (ii) An explanation of why fair value cannot be determined reliably; and (iii) If possible, the range of estimates within which fair value is highly likely to lie.

49 EXEMPTIONS OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards listed in Accounting Policy 1. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the annual financial statements would need to be adjusted to achieve compliance with exempted standards has also been stated in the table.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General Notice 552 of 2007	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards.	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	Y	1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.	1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position.
IFRS 3 (AC 140)	Business combinations	Entire standard	Y	The municipality does not have this type of transactions.	1) No adjustments will need to be made to the AFS.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	Y	1) Print-outs of the FAR per department must be made and distributed to the Heads of every department. The Heads of departments must scrutinise the FAR applicable to their department and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS5.6 to 11. 2) The Heads of departments must return the departmental FAR, to the CFO and indicate the assets that meet the above mentioned criteria. 3) CFO must ensure that every department returned the departmental-FAR and ensure that it has been signed-off as proof that it has been reviewed. 4) Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are sold after year-end and meet the IFRS 5.6 to 11 requirements at year end. Ensure that these assets are classified as Non-current assets held for sale in the Financial Statements for the year under review. 5) Measure and disclose the Non Current Assets held for Sale in accordance with IFRS 5 requirements.	1) Non Current Assets held for sale will no longer be recorded as part of PPE and will not necessarily be carried at cost less accumulated depreciation. 2) No current assets held for sale will be recorded as such as part of current assets and will be recorded at the lower of carrying amount and fair value less costs to sell. 3) Impairment losses in respect of non current assets held for sale will be recorded in the Statement of Financial Performance if such impairment losses exist.
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	Y	All the applicable sections regarding the disclosure requirements relating to Financial Instruments as set out in IFRS 7 are adhered to by the municipality, as IAS 32 includes the relevant disclosures that is required by IFRS 7.	

APPENDIX A
SHEDULE OF EXTERNAL LOANS
as at 30 June 2011

External Loans		Loan No.	Redeemable	Balance at 30 June 2010	Correction of error previos year	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2011
	%			R		R	R	R	R
LONG TERM LOANS									
DBSA Loan	16.440	100942/-1	13-07-2013	5 651 642	2 479 956		459 261	1 319 122	2 311 825
DBSA Vehicles	5.00	102357/-1	31-12-2031	1 549 003	340 944		49 922	515 171	742 811
		8611198680 &					-		
Toyota Finance		86111631633	May 2011	222 822				51 089	171 733
Actaris Prepaid Meters		369523701		18 948		-	-	18 948	0
Total Annuity Loans				**7 442 415**	**2 820 900**	**-**	**509 183**	**1 904 330**	**3 226 369**
				-			-	-	-
Total External Loans				**7 442 415**	**2 820 900**	**-**	**509 183**	**1 904 330**	**3 226 369**

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
as at 30 June 2011

	HISTORICAL COST						ACCUMULATED DEPRECIATION						
	Opening Balance 09/10	**Additions/ Transfers**	**Movement**	**Under Construction**	**Disposals**	**Closing Balance 10/11**	**Opening Balance 09/10**	**Additions/ Transfers**	**Correction on depreciation**	**Disposals**	**Closing Balance 10/11**	**Carrying Value**	**Budget Additions 2011**
	R	**R**		**R**	**R**	**R**	**R**	**R**		**R**	**R**	**R**	**R**
INFRASTRUCTURE	**102 729 013**	**15 489 764**		**-**	**-**	**118 218 777**	**-**	**-**	**-**	**-**	**-**	**118 218 777**	**-**
Roads, pavements, bridges & stormwater	59 884 861	-		-	-	59 884 861	-	-	-	-	-	59 884 861	-
Water reservoirs & reticulation	15 096 463	-		-	-	15 096 463	-	-	-	-	-	15 096 463	-
Car parks, bus terminals & taxi ranks	-	-		-	-	-	-	-	-	-	-	-	-
LED Project						-						-	
EPWP PROJECTS		9 318 588				9 318 588						9 318 588	
Electricity reticulation	14 894 000	527 481		-	-	15 421 481	-	-	-	-	-	15 421 481	-
Sewerage purification & reticulation	12 853 689	-		-	-	12 853 689	-	-	-	-	-	12 853 689	-
Housing	-			-	-	-	-	-	-	-	-	-	-
Public works		5 601 276				5 601 276						5 601 276	
Toilets						-						-	
Street lighting	-	-		-	-	-	-	-	-	-	-	-	-
Refuse sites	-	-		-	-	-	-	-	-	-	-	-	-
Railway Lines	-	-				-	-	-	-		-	-	-
Security Measures	-	-				-	-	-	-		-	-	-
Other (town planning & development	-	42 419		-	-	42 419	-	-		-	-	42 419	-
COMMUNITY ASSETS	**12 606 999**	**4 161 469**		**-**	**322 750**	**16 445 718**	**-**	**-**	**-**	**-**	**-**	**16 445 718**	**-**
Buildings	-	3 685 269		-	322 750	3 362 519	-	-	-	-	-	3 362 519	-
Sport Fields	335 004			-	-	335 004	-	-	-	-	-	335 004	-
Land	12 271 995	476 200		-	-	12 748 195	-	-	-	-	-	12 748 195	-
OTHER ASSETS	**3 296 007**	**187 662**	**-**	**-**	**-**	**3 483 669**	**-**	**-**	**-**	**-**	**-**	**3 483 669**	**-**
Vehicles	2 482 700	-		-	-	2 482 700	-	-	-	-	-	2 482 700	-
Plant & equipment	136 760	-		-	-	136 760	-	-	-	-	-	136 760	-
Office equipment	97 115	158 547	-	-	-	255 662	-	-	-	-	-	255 662	-
Equipment	-	-		-	-	-	-	-	-	-	-	-	-
Furniture and Fittings	266 340	29 114		-	-	295 454	-	-	-	-	-	295 454	-
Computer Equipment	244 128	-		-	-	244 128	-	-	-	-	-	244 128	-
Emergency Equipment	23 250	-		-	-	23 250	-	-		-	-	23 250	-
		-				-						-	
Other Assets	45 714	-		-	-	45 714	-	-		-	-	45 714	-
TOTAL	**118 632 019**	**19 838 895**	**-**	**-**	**322 750**	**138 148 164**	**-**	**-**	**-**	**-**	**-**	**138 148 165**	**-**

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT
as at 30 June 2011

	HISTORICAL COST						ACCUMULATED DEPRECIATION						
	Opening Balance 09/10	Additions/ Transfers	Movement	Under Construction	Disposals	Closing Balance 10/11	Opening Balance 09/10	Additions/ Transfers	Correction on depreciation	Disposals	Closing Balance 10/11	Carrying Value	Budget Additions 2011
	R	R			R	R	R	R		R	R	R	R
EXECUTIVE COUNCIL	**118 632 019**	**-**		**-**	**-**	**118 632 019**	**-**	**-**	**-**	**-**	**-**	**118 632 019**	**-**
Executive Council	118 632 019	-		-	-	118 632 019	-	-	-	-	-	118 632 019	-
FINANCE & ADMINISTRATION	**-**	**15 624 336**	**-**	**-**	**322 750**	**15 301 586**	**-**	**-**	**-**	**-**	**-**	**15 301 586**	**-**
Finance	-	118 064		-	-	118 064	-	-	-	-	-	118 064	-
Information technology	-	-	-	-	-	-	-	-	-	-	-	-	-
Human resources	-	-		-	-	-	-	-	-	-	-	-	-
Property services	-	-		-	-	-	-	-	-	-	-	-	-
Admin Services	-	37 354		-	-	37 354	-	-	-	-	-	37 354	-
Legal Services	-	-		-	-	-	-	-	-	-	-	-	-
Municipal Buildings	-	506 634		-	322 750	183 884	-	-	-	-	-	183 884	-
Municipal Manager	-	-		-	-	-	-	-	-	-	-	-	-
Public Services	-	14 962 284		-	-	14 962 284	-	-	-	-	-	14 962 284	-
Stores	-	-		-	-	-	-	-	-	-	-	-	-
Technical Services	-	-		-	-	-	-	-	-	-	-	-	-
Workshop	-	-		-	-	-	-	-	-	-	-	-	-
Other & admin	-	-		-	-	-	-	-	-	-	-	-	-
PLANNING & DEVELOPMENT	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Estates & Pound	-	-		-	-	-	-	-	-	-	-	-	-
Planning & development	-	-		-	-	-	-	-		-	-	-	-
ROAD TRANSPORT	**-**	**-**		**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
Vehicle licensing & testing	-	-		-	-	-	-	-		-	-	-	-
Roads & stormwater	-	-		-	-	-	-	-		-	-	-	-
Roads other	-	-		-	-	-	-	-		-	-	-	-
HEALTH	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Clinics	-	-		-	-	-	-	-		-	-	-	-
Polution Control	-	-		-	-	-	-	-		-	-	-	-
Health	-	-		-	-	-	-	-		-	-	-	-
COMMUNITY & SOCIAL SERVICES	**-**	**1 809**		**-**	**-**	**1 809**	**-**	**-**	**-**	**-**	**-**	**1 809**	**-**
Libraries & archives	-	1 809		-	-	1 809	-	-		-	-	1 809	-
Community halls & facilities	-	-		-	-	-	-	-		-	-	-	-
Tourism	-	-		-	-	-	-	-		-	-	-	-
Cemeteries & crematoriums	-	-		-	-	-	-	-		-	-	-	-
PUBLIC SAFETY	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Fire	-	-		-	-	-	-	-		-	-	-	-
Traffic	-	-		-	-	-	-	-		-	-	-	-
PARKS & RECREATION	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Parks & recreation	-	-		-	-	-	-	-		-	-	-	-
WASTE WATER MANAGEMENT	**-**	**-**		**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
Sewerage	-	-		-	-	-	-	-		-	-	-	-
Public toilets	-	-		-	-	-	-	-		-	-	-	-
WASTE MANAGEMENT	**-**	**-**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Solid waste	-	-		-	-	-	-	-	-	-	-	-	-
HOUSING	**-**	**3 685 269**		**-**	**-**	**3 685 269**	**-**	**-**		**-**	**-**	**3 685 269**	**-**
Housing	-	3 685 269		-	-	3 685 269	-	-		-	-	3 685 269	-
WATER	**-**	**-**		**-**	**-**	**-**	**-**	**-**		**-**	**-**	**-**	**-**
Water distribution	-	-		-	-	-	-	-		-	-	-	-
Water storage	-	-		-	-	-	-	-		-	-	-	-
								-		-			
ELECTRICITY	**-**	**527 481**		**-**	**-**	**527 481**	**-**	**-**	**-**	**-**	**-**	**527 481**	**-**
Electricity distribution	-	527 481		-	-	527 481	-	-		-	-	527 481	-
Street lighting	-	-		-	-	-	-	-		-	-	-	-
TOTAL	**118 632 019**	**19 838 895**	**-**	**-**	**322 750**	**138 148 165**	**-**	**-**	**-**	**-**	**-**	**138 148 165**	**-**

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)		2011 Actual Income	2011 Actual Expenditure	2011 Actual Surplus/ (Deficit)
R	R	R		R	R	R
36 726 685	**11 024 470**	**25 702 215**	**Executive & Council**	**20 360 023**	**4 643 135**	**15 716 887**
36 726 685	9 565 923	27 160 762	Executive & Council	20 360 023	3 728 389	16 631 633
	1 458 547	(1 458 547)	Municipal Manager		914 746	(914 746)
2 073 745	**3 706 485**	**(1 632 739)**	**Finance & Admin**	**5 749 295**	**6 762 465**	**(1 013 170)**
1 896 071	2 467 910	(571 838)	Finance	5 715 197	4 930 142	785 055
-	-	-	Human Resources	-	-	-
-	-	-	Information Technology	-	-	-
177 674	264 965	(87 291)	Munincipal Buildings	34 098	341 100	(307 002)
-	973 610	(973 610)	Other Admin	-	1 491 222	(1 491 222)
-	**311 513**	**(311 513)**	**Planning & Development**	**-**	**344 135**	**(344 135)**
-	-	-	Town Engineer	-	-	-
-	311 513	(311 513)	Workshop	-	344 135	(344 135)
-	-	-	LED	-	-	-
-	-	-	IDP	-	-	-
-	**216 850**	**(216 850)**	**Health**	**-**	**232 496**	**(232 496)**
-	-	-	Clinics	-	-	-
-	216 850	(216 850)	Health Other	-	232 496	(232 496)
174 975	**362 369**	**(187 394)**	**Community Services**	**800 581**	**311 581**	**489 000**
147 098	328 204	(181 106)	Libraries	791 091	275 787	515 304
-	-	-	Tourism - Art & Culture	-	-	-
-	-	-	Disaster Management	-	-	-
27 877	34 166	(6 289)	Cemeteries	9 490	35 794	(26 304)
-	**-**	**-**	**Housing**	**-**	**-**	**-**
-	-	-	Housing	-	-	-
454 936	**430 406**	**24 530**	**Public Safety**	**494 124**	**524 938**	**(30 814)**
-	73 065	(73 065)	Fire Services	-	67 585	(67 585)
454 936	357 341	97 595	Traffic	494 124	457 353	36 771

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)		2011 Actual Income	2011 Actual Expenditure	2011 Actual Surplus/ (Deficit)
R	R	R		R	R	R
27 960	**769 439**	**(741 480)**	**Parks & Recreation**	**3 558**	**910 807**	**(907 248)**
27 960	769 439	(741 480)	Parks & Recreation	3 558	910 807	(907 248)
4 228 959	**3 915 088**	**313 871**	**Waste Management**	**9 146 859**	**4 780 936**	**4 365 924**
2 354 120	1 173 048	1 181 072	Sewerage	2 649 578	1 397 136	1 252 443
-	-	-	Public Toilets	-	-	-
1 874 839	2 742 040	(867 201)	Refuse Removal (Solid Waste)	6 497 281	3 383 800	3 113 481
-	**1 729 089**	**(1 729 089)**	**Roads Transport**	**3 622 990**	**2 044 351**	**1 578 639**
-	1 729 089	(1 729 089)	Public services	3 622 990	2 044 351	1 578 639
-	-	-	Vehicle Licenses & Traffic	-	-	-
-	-	-	Transport Other	-	-	-
3 571 852	**1 046 051**	**2 525 801**	**Water**	**3 230 515**	**949 866**	**2 280 649**
-	-	-	Water Distribution	-	-	-
3 571 852	1 046 051	2 525 801	Water Purification	3 230 515	949 866	2 280 649
8 206 589	**6 826 584**	**1 380 005**	**Electricity**	**7 958 664**	**10 121 245**	**(2 162 582)**
8 206 589	6 826 584	1 380 005	Electricity Distribution	7 958 664	10 121 245	(2 162 582)
-	-	-	Street Lighting	-	-	-
55 465 701	**30 338 344**	**25 127 356**	**Sub-Total**	**51 366 609**	**31 625 956**	**19 740 653**
		-	Less: Inter-Departmental Charges			-
55 465 701	**30 338 344**	**25 127 356**	**Total**	**51 366 609**	**31 625 956**	**19 740 653**

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET
for the year ended 30 June 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	3 863 745	5 144 221	(1 280 476)	(25)	mistakes on accounts
Service charges : Electricity	7 464 954	10 884 100	(3 419 146)	(31)	mistakes on accounts
Refuse removal	6 497 281	4 097 864	2 399 417	59	mistakes on accounts
Sewerage	2 649 578	2 833 004	(183 426)	(6)	
Water	3 230 515	4 939 216	(1 708 701)	(35)	mistakes on accounts
Rental of facilities and equipment	178 442	405 553	(227 111)	(56)	over estimation
Interest earned – external investments	221 730	43 667	178 063	408	under estimation
Fines	17 190	81 252	(64 062)	(79)	understaffed
Licensing & permits	477 224	380 342	96 882	25	understaffed
Government grants & subsidies – operating	18 897 276	20 536 881	(1 639 605)	(8)	
Government grants & subsidies – capital	3 630 950	6 424 000	(2 793 050)	(43)	
Other revenue	4 237 725	7 854 541	(3 616 816)	(46)	
Total Revenue	**51 366 609**	**63 624 641**	**(12 258 032)**	**(19)**	

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET
for the year ended 30 June 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanations of significant variances greater than 10% versus budget
EXPENDITURE					
Employee related costs	10 366 589	12 270 297	(1 903 708)	(16)	vacant positions
Remuneration of councillors	1 713 712	1 713 712	0	0	
Bad debts	(8 305 366)	1 516 840	(9 822 206)	(648)	Not a cash transaction
Repairs & maintenance	1 643 390	1 950 605	(307 215)	(16)	Political unrest as from May until yearend prevented staff to work
Interest of external borrowings	557 362	1 201 238	(643 876)	(54)	Wrong estimation
Bulk purchases : Electricity	8 837 655	8 837 655	0	0	
Contracted services	2 874 812	3 231 020	(356 208)	(11)	Saving
Grants & subsidies paid	5 464 341	5 464 340	1	0	
General expenses	7 530 628	9 356 238	(1 825 610)	(20)	
Contributions to/(transfers from) provisions	942 833	68 340	874 493	1 280	
Total Expenditure	**31 625 956**	**45 610 285**	**(13 984 329)**	**(31)**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**19 740 653**	**18 014 356**	**1 726 297**	**10**	

APPENDIX E (1)a
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
for the year ended 30 June 2011

	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
				R	R			%	
REVENUE									
Property rates	5 144 221	-	5 144 221	5 144 221	3 863 745			75%	75%
Service charges : Electricity	10 884 100	-	10 884 100	10 884 100	7 464 954			69%	69%
Refuse removal	4 097 864	-	4 097 864	4 097 864	6 497 281			159%	159%
Sewerage	2 833 004	-	2 833 004	2 833 004	2 649 578			94%	94%
Water	4 939 216	-	4 939 216	4 939 216	3 230 515			65%	65%
Rental of facilities and equipment	405 553	-	405 553	405 553	178 442			44%	44%
Interest earned – external investments	43 667	-	43 667	43 667	221 730			508%	508%
Fines	81 252	-	81 252	81 252	17 190			21%	21%
Licensing & permits	380 342	-	380 342	380 342	477 224			125%	125%
Government grants & subsidies – operating	20 536 881	-	20 536 881	20 536 881	18 897 276			92%	92%
Government grants & subsidies – capital	6 424 000	-	6 424 000	6 424 000	3 630 950			57%	57%
Other revenue	7 854 541	-	7 854 541	7 854 541	4 237 725			54%	54%
Total Revenue	**63 624 641**	**-**	**63 624 641**	**63 624 641**	**51 366 609**	**-**	**-**	**80.73**	**81%**

APPENDIX E (1)a
STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION
for the year ended 30 June 2011

	Original Budget	Budget Adjustment	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
				R	R			%	
EXPENDITURE									
Employee related costs	11 709 394	-	11 709 394	12 270 297	10 366 589			84%	89%
Remuneration of councillors	1 507 594	-	1 507 594	1 713 712	1 713 712			100%	114%
Bad debts	1 914 519	-	1 914 519	1 516 840	(8 305 366)			-548%	-434%
Repairs & maintenance	2 438 803	-	2 438 803	1 950 605	1 643 390			84%	67%
Interest of external borrowings	1 253 496	-	1 253 496	1 201 238	557 362			46%	44%
Bulk purchases : Electricity	8 469 940	-	8 469 940	8 837 655	8 837 655	-		100%	104%
Contracted services	3 231 020	-	3 231 020	3 231 020	2 874 812			89%	89%
Grants & subsidies paid	5 333 880	-	5 333 880	5 464 340	5 464 341			100%	102%
General expenses	9 076 849	-	9 076 849	9 356 238	7 530 628			80%	83%
Contributions to/(transfers from) provisions	674 790	-	674 790	68 340	942 833	-		1380%	140%
Total Expenditure	**45 610 285**	**-**	**45 610 285**	**45 610 285**	**31 625 956**	**-**	**-**	**69%**	**69%**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**18 014 356**	**-**	**18 014 356**	**18 014 356**	**19 740 653**			**110%**	**110%**

APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET
Acquisition of Property, Plant and Equipment
for the year ended 30 June 2011

	2011 Actual R	2011 Under Construction R	2011 Total Additions R	2011 Budget R	2011 Variance R	2011 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL	-	-	**-**	1 840 000	(1 840 000)	(100.00)	
FINANCE & ADMINISTRATION	15 624 336	-	**15 624 336**	3 251 000	12 373 336	380.60	
WASTE MANAGEMENT	-	-	**-**	9 214 120	(9 214 120)	(100.00)	
PUBLIC SAFETY	-	-	**-**	150 000	(150 000)	(100.00)	
PARKS RECREATION	-	-	**-**	355	(355)	(100.00)	
ELECTRICITY	527 481	-	**527 481**	1 075 000	(547 519)	(50.93)	
PLANNING & DEVELOPMENT	-	-	**-**	4 500 000	(4 500 000)	(100.00)	
ROAD TRANSPORT	-	-	**-**	-	-	-	
HEALTH	-	-	**-**	-	-	-	
COMMUNITY & SOCIAL SERVICES	1 809	-	**1 809**	18 500	(16 691)	(90.22)	
WASTE WATER MANAGEMENT	-	-	**-**	-	-	-	
TECHNICAL SERVICES	3 685 269	-	**3 685 269**	1 000 000	2 685 269	268.53	
WATER	-	-	**-**	-	-	-	
TOTAL	**19 838 895**	**-**	**19 838 895**	**21 048 975**	**(1 210 080)**	**(5.75)**	

APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES
as at 30 June 2011

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants		Quarterly receipts					Quarterly Expenditure for the Year					Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep	Dec	March	June	Total	Sep	Dec	March	June	Total	Total	Total		Yes / No	
Equitable Share	DPLG	4 829 697	3 863 757	2 897 818	-	11 591 272	4 829 697	3 863 757	2 897 818	-	11 591 272		11 591 272		YES	
Municipal Systems Improvement Grant	DPLG	750 000	-	-	-	750 000	750 000	-	-	-	750 000		750 000		YES	
MIG Grants	DPLG	1 500 000	2 000 000	2 924 000	-	6 424 000	3 748 155	2 530 366	-	590 155	6 868 677		6 424 000		YES	
Humanitarial Relief Grant	DPLG	-	-	-	-	-	-	-	-	-	-		-		YES	
Financial Management Grant	National Treasury	1 250 000	-	-	-	1 250 000	1 250 000	-	-	-	1 250 000		1 250 000		YES	
Library Grant					790 000	790 000					-		790 000			
Intergrated National Electrification Grant	Dept of Energy & Min	-	-	-	-	-	150 329	-	-	-	150 329		-		YES	
		8 329 697	5 863 757	5 821 818	790 000	20 805 272	10 728 181	6 394 123	2 897 818	590 155	20 610 278	-	20 805 272			

APPENDIX G
DEVIATION FROM PROCUREMENT PROCESSES
Supply Chain Regulation 36(2)
for the year ended 30 June 2011

Department	Supplier	Amount (VAT incl) R	Reason for deviation	Cheque number
Corporate	Caro-Casa Guest House	R 1 800.00	Accommodation	50009245
Corporate	Carrington Lodge	R 1 980.00	Accommodation	50009246
Finance	Intercape	R 1 278.00	Transport	50009846
Finance	Flip Coetzee	R 6 000.00	Printing	50010032
Finance	Copy Centrum	R 7 021.58	Cartridge	50010038
Finance	Lithotech	R 4 276.50	Water and lights accounts paper	50010139
Finance	Consolidated Afrcan Technologies	R 52 980.00	CAT Meter Reading Syst	50010139
Finance	Bytes Document solutions	R 3 901.24	Photocopy paper	50010143
Finance	OK Foods	R 1 603.26	Refreshments	50010167
Technical	N B Mechanical sale	R 2 255.34	HF Fuses	50010319
Technical	Multi Supplies	R 29 950.00	Distribution Transformer	50010586
Technical	Taolo Anthony	R 800.00	Hiring Sound System	50010732
Corporate	Bytes Sysem Intergrel	R 1 459.20	opening of Sundry accounts	50010739
Corporate	Halsed &Company	R 8 440.38	Cleaning Material	50010747
Finance	Lithotech	R 5 211.40	Water and lights accounts paper	50010861
Technical	C-pac Pumps & Valves	R 17 761.20	Repair to Gorman Rupp Pump	50010874
Technical	Thyron	R 3 517.73	Order form Paper	50010889
Technical	Aircon & Refrigiration specialist	R 19 918.08	Airconditioners	50011015
Technical	C-pac Pumps & Valves	R 60 087.12	Rapairing ABS Pumps	50011022
Technical	Conlog pry ltd	R 21 286.02	20 A prepaid meters	50011024
Technical	Danielskuil Engineering	R 4 275.00	Welding Sewerage truck	
		255 802.05		