Magareng Local Municipality
Annual Financial Statements
for the year ended 30 June 2011

General Information

Legal form of entity	Magareng Local Municipality is a local municipality performing the functions as set out in the Constitution.(Act no 105 of 1996).
Nature of business and principal activities	Municipality
The following is included in the scope of operation	The municipality provides sustainable, effective and efficient municipal services.
Mayoral committee	
Executive Mayor	GA Manopole
Councillors	EM Hans
	SP Mnqathula
	BV Ximba
	HO Kgadiete
	MR Moleko
	OM Majola
	J Louw
	WJ Potgieter
Grading of local authority	Low Capacity
Accounting Officer	Mr Kotlhao Shadrack Mere
Chief Finance Officer (CFO)	Mr HS Oberholzer
Business address	Magrieta Prinsloo Street Warrenton 8530
Postal address	PO Box 10 Warrenton 8530
Bankers	ABSA Bank Uys Street, Warrenton,8530
Auditors	Auditor General - Kimberley
Attorneys	Towell & Groenewaldt Rugby House, Roper Street, Kimberley, 8301

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
HOD	Head of Department
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MLM	Magareng Local Municipality
MSIG	Municipal Systems Improvement Grant
FMG	Financial Management Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is partially dependent on National Government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

I am responsible for the preparation of these annual financial statements, in terms of Section 126(1) of the Municipal Finance Management Act.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 28 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..

The annual financial statements set out on pages 5 to 54, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Mr Kotlhao Shadrack Mere
Municipal Manager

AUDITOR-GENERAL

Report of the Auditor General

To the Council of Magareng Local Municipality

Report on the financial statements

This report will be inserted after the audit of the annual financial statements.

Auditor General - Kimberley

Statement of Financial Position

	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	3	23,986	15,067
Trade and other receivables from exchange transactions	4	4,060	9,011
Other receivables from non-exchange transactions	5	783,293	856,780
VAT receivable	6	3,381,318	914,566
Consumer debtors	7	41,039,792	36,343,519
Investments	8	5,402,659	9,099,458
Cash and cash equivalents	9	1,000	1,121,339
		50,636,108	**48,359,740**
Non-Current Assets			
Property, plant and equipment	10	174,910,987	154,907,895
Total Assets		**225,547,095**	**203,267,635**
Liabilities			
Current Liabilities			
Other financial liabilities	12	-	44,586
Trade and other payables from exchange transactions	13	32,613,071	27,985,871
Consumer deposits	14	530,197	506,365
Bank overdraft	9	1,255,562	-
		34,398,830	**28,536,822**
Non-Current Liabilities			
Retirement benefit obligation	15	5,120,000	5,120,000
Unspent conditional grants and receipts	16	15,097,146	15,015,552
Provisions	17	2,196,426	1,673,017
		22,413,572	**21,808,569**
Total Liabilities		**56,812,402**	**50,345,391**
Net Assets		**168,734,693**	**152,922,244**
Net Assets			
Accumulated surplus		168,734,693	152,922,244

Statement of Financial Performance

	Note(s)	2011	2010
Revenue			
Rendering of services		156,036	62,415
Property rates	21	2,803,492	-
Service charges	22	15,027,343	16,552,586
Rental of facilities and equipment		15,983	8,135
Interest received (trading)		4,753,402	1,948,355
Fines		26,790	105,099
Licences and permits		424,548	440,201
Government grants & subsidies	23	57,014,807	28,544,657
Commissions received		-	13,590
Other income		1,729,057	1,477,500
Interest received - investment	24	503,428	160,364
Total Revenue		**82,454,886**	**49,312,902**
Expenditure			
Personnel	25	(21,648,455)	(17,370,888)
Remuneration of councillors	26	(1,872,422)	(1,883,526)
Depreciation and amortisation	27	(10,005,072)	(9,964,631)
Finance costs	28	(59,177)	(17,738)
Debt impairment	29	(4,625,694)	(5,518,723)
Repairs and maintenance		(679,224)	(942,856)
Bulk purchases	30	(11,251,512)	(9,094,642)
Contracted services		(477,194)	-
Grants and subsidies paid	31	(3,658,714)	(3,993,063)
General Expenses	32	(9,033,704)	(6,015,759)
Total Expenditure		**(63,311,168)**	**(54,801,826)**
Surplus (deficit) for the year		**19,143,718**	**(5,488,924)**

Statement of Changes in Net Assets

	Accumulated surplus	Total net assets
Balance at 01 July 2009	**154,161,157**	**154,161,157**
Changes in net assets		
Surplus for the year	(5,488,924)	(5,488,924)
Wrong Allocation	(148,122)	(148,122)
Amounts corrected against Accumulated surplus	2,862,817	2,862,817
Prior year balances written-off	928,314	928,314
Previous years cheques cancelled	607,002	607,002
Total changes	(1,238,913)	(1,238,913)
Balance at 01 July 2010	**152,922,246**	**152,922,246**
Changes in net assets		
Amounts corrected against Accumulated Surplus	(3,331,271)	(3,331,271)
Net income (losses) recognised directly in net assets	(3,331,271)	(3,331,271)
Surplus for the year	19,143,718	19,143,718
Total recognised income and expenses for the year	15,812,447	15,812,447
Total changes	15,812,447	15,812,447
Balance at 30 June 2011	**168,734,693**	**168,734,693**

Note(s)

Cash Flow Statement

	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		26,936,651	20,607,881
Grants		57,014,807	28,544,657
Interest income		503,428	160,364
		84,454,886	49,312,902
Payments			
Employee costs		(23,520,877)	(19,254,414)
Suppliers		(36,894,783)	(20,046,320)
Finance costs		(59,177)	(17,738)
Other cash item		-	5,309,313
		(60,474,837)	(34,009,159)
Net cash flows from operating activities	34	**23,980,049**	**15,303,743**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(30,008,163)	(2,942,392)
Purchase of investments		-	(9,089,601)
Proceeds from sale of investments		3,696,799	-
Net cash flows from investing activities		**(26,311,364)**	**(12,031,993)**
Cash flows from financing activities			
Repayment of other financial liabilities		(44,586)	(115,969)
Net cash flows from financing activities		**(44,586)**	**(115,969)**
Net increase/(decrease) in cash and cash equivalents		**(2,375,901)**	**3,155,781**
Cash and cash equivalents at the beginning of the year		1,121,339	(2,034,442)
Cash and cash equivalents at the end of the year	9	**(1,254,562)**	**1,121,339**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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

Allowance for doubtful debts

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

Sub-heading

1.2 Investment property

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

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

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

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

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

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

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

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

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

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

Transitional provision

The municipality changed its accounting policy for investment property in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

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

1.2 Investment property (continued)

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and investment property has accordingly been recognised at provisional amounts, as disclosed in .

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

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

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

1.3 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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.

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.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Accounting Policies

1.3 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

Item	**Average useful life**
Buildings	30 years
Furniture and fixtures	7-10 years
Motor vehicles	
• Specialist vehicles	10 years
• Other vehicles	5 years
Leasehold improvements	
• Leased Assets	22 years
Infrastructure	
• Roads and paving	30 years
• Pedestrain Malls	30 years
• Electricity	20-30 years
• Water	15-20 years
• Sewerage	15-20 years
• Housing	30 years
Community	
• Improvements	30 years
• Recreational Facilities	20-30 years
• Security	5 years
Other property, plant and equipment	2-5 years
Bins and containers	5 years
Water network	15-20 years

* Leased Assets - If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset will be fully depreciated over the shorter of the lease term and its useful life, as stated in GRAP 13.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

1.3 Property, plant and equipment (continued)

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

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

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

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 10. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 10.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

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

1.4 Intangible assets

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

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

Intangible assets are initially recognised at cost.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.4 Heritage assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

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

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

Item	**Useful life**
Computer software, other	3 years

Transitional provision

The municipality changed its accounting policy for intangible assets in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in 11. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 11.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

Accounting Policies

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.5 Financial instruments (continued)

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as at fair value through surplus or deficit

are financial assets that meet either of the following conditions:
- ¨ they are classified as held for trading; or
- ¨ upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Financial instruments designated as available for sale.

Financial instruments designated as available-for-sale

are financial assets that are designated as available for sale or are not classified as:
- ¨ Loans and Receivables;
- ¨ Held-to-Maturity Investments; or
- ¨ Financial Assets at fair value through the Statement of Financial Performance.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

1.5 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality’s accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

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

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

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

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment’s recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.5 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.7 Leases

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

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

Operating leases - lessor

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

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

1.7 Leases (continued)

Operating leases - lessee

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

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

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Transitional provision

The municipality changed its accounting policy for inventories in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and inventories has accordingly been recognised at provisional amounts, as disclosed in note 3.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

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

1.8 Inventories (continued)

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

1.9 Impairment of cash-generating assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

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

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Accounting Policies

1.11 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- 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.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

Accounting Policies

1.11 Provisions and contingencies (continued)

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2011. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2011 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in 17.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

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

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.12 Revenue from exchange transactions (continued)

Rendering of services

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

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

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality’s right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

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

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

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

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

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

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

1.13 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

1.13 Revenue from non-exchange transactions (continued)

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Services in-kind

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

1.14 Investment income

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

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and

expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution . A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

1.24 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.25 Investments

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

1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.27 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year which include the following new or revised standards.

• GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	Accounting policies, changes in accounting estimates and errors
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Interests in joint ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial reporting in hyperinflationary economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events After the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 100	Non-current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IFRS 3	Business combinations
IFRS 4	Insurance contracts
IFRS 6	Exploration for and evaluation of mineral resources
IFRS 7	Financial instruments: Disclosures
IAS 12	Income taxes
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 39	Financial Instruments: Recognition and measurement
IAS 36	Impairment of assets
IPSAS 20	Related Parties
IPSAS 21	Impairment non-cash generating assets
GAMAP 9.29 - .35 & .39 - .54	Revenue
IGRAP 1	Applying the probability test on initial recognition of exchange revenue
IFRIC 2	Members' Shares in Co-operative Entities and Similar Instruments
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
SIC 21	Income Taxes – Recovery of Re-valued Non-Depreciable Assets
SIC 25	Income Taxes – Changes in the Tax Status of an Enterprise or its Shareholders
SIC 29	Disclosure – Service Concession Arrangements
Directive 1	Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 2	Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Municipal Entities and Constitutional Institutions
Directive 3	Transitional Provisions for the Adoption of Standards of GRAP by High Capacity Municipalities
Directive 4	Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5	Determining the GRAP Reporting Framework
Directive 7	The application of deemed cost on the adoption of Standards of Grap
ASB guide 1	Guideline on Accounting for Public Private PartnershipsOther 10

	2011	2010

2. Changes in accounting policy (continued)

Statement of financial position

	2011	2010
Trade and other receivables from exchange transactions		
Previously stated	-	157,132
Adjustment	-	(148,121)
	-	**9,011**
Accumulated surplus		
Previously stated	-	(153,070,366)
Adjustment	-	148,121
	-	**(152,922,245)**

3. Inventories

	2011	2010
Water	23,986	15,067

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 2, certain inventories with a carrying value of R 23,986 (2010: R 15,067) was recognised at provisional amounts.

4. Trade and other receivables from exchange transactions

	2011	2010
Sundry debtors	4,060	9,011

5. Other receivables from non-exchange transactions

	2011	2010
Other receivables from non-exchange revenue	783,293	856,780

6. VAT receivable

	2011	2010
VAT	3,381,318	914,566

VAT is payable to SARS on the receipts basis. Only when payment is received from debtors is output VAT paid to the Receiver of Revenue.

Only when payment is made to creditors, input VAT is claimed from the Receiver of Revenue.

	2011	2010

7. Consumer debtors

	2011	2010
Gross balances		
Rates	11,404,801	10,203,966
Electricity	7,553,044	6,562,701
Water	17,680,254	18,468,414
Sewerage	12,742,412	10,858,827
Refuse	11,728,564	9,975,471
Housing and other	614,502	920,221
Other (interest)	9,684,684	5,096,694
	71,408,261	**62,086,294**
Less: Provision for debt impairment		
Rates	(7,777,961)	(6,359,628)
Electricity	(2,783,172)	(1,824,548)
Water	(8,954,093)	(7,776,720)
Sewerage	(5,767,163)	(5,200,469)
Refuse	(4,950,558)	(4,445,888)
Housing rental	(135,522)	(135,522)
	(30,368,469)	**(25,742,775)**
Net balance		
Rates	3,626,840	3,844,338
Electricity	4,769,872	4,738,153
Water	8,726,161	10,691,694
Sewerage	6,975,249	5,658,358
Refuse	6,778,006	5,529,583
Housing and other	478,980	784,699
Other (Interest)	9,684,684	5,096,694
	41,039,792	**36,343,519**
Rates		
Current (0 -30 days)	249,188	-
31 - 60 days	250,918	1,729
61 - 90 days	199,742	10,202,237
91 - 120 days	10,704,952	-
Less: Provision for debt impairment	(7,777,960)	(6,359,628)
	3,626,840	**3,844,338**
Electricity		
Current (0 -30 days)	787,072	1,222,079
31 - 60 days	650,637	533,097
61 - 90 days	435,189	389,175
91 - 120 days	5,680,147	4,418,350
Less: Provision for debt impairment	(2,783,173)	(1,824,548)
	4,769,872	**4,738,153**
Water		
Current (0 -30 days)	338,684	420,456
31 - 60 days	272,219	568,651
61 - 90 days	334,078	363,329
91 - 120 days	16,735,273	17,115,978
Less: Provision for debt impairment	(8,954,093)	(7,776,720)
	8,726,161	**10,691,694**

Notes to the Annual Financial Statements

	2011	2010

7. Consumer debtors (continued)

Sewerage		
Current (0 -30 days)	250,831	206,949
31 - 60 days	243,498	199,641
61 - 90 days	232,870	198,442
91 - 120 days	12,015,214	10,253,795
Less: Provision for debt impairment	(5,767,164)	(5,200,469)
	6,975,249	**5,658,358**

Refuse		
Current (0 -30 days)	254,036	208,766
31 - 60 days	240,202	197,108
61 - 90 days	230,919	190,677
91 - 120 days	11,003,407	9,378,920
Less: Provision for debt impairment	(4,950,558)	(4,445,888)
	6,778,006	**5,529,583**

Housing and other		
Current (0 -30 days)	24,361	9,836
31 - 60 days	8,281	16,009
61 - 90 days	9,943	5,123
91 - 120 days	571,918	889,253
Less: Provision for debt impairment	(135,523)	(135,522)
	478,980	**784,699**

Other (Interest)		
Current (0 -30 days)	557,748	511,683
31 - 60 days	552,564	507,170
61 - 90 days	2	501,777
91 - 120 days	8,574,370	3,576,064
	9,684,684	**5,096,694**

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	872,592	2,315,645
31 - 60 days	1,838,865	1,794,110
61 - 90 days	1,296,440	1,492,534
91 - 120 days	63,398,182	53,552,333
	67,406,079	**59,154,622**

Industrial/ commercial		
Current (0 -30 days)	239,856	203,009
31 - 60 days	139,928	164,527
61 - 90 days	88,147	92,561
91 - 120 days	1,278,892	1,160,026
	1,746,823	**1,620,123**

Notes to the Annual Financial Statements

	2011	2010

7. Consumer debtors (continued)

National and provincial government		
Current (0 -30 days)	40,365	61,114
31 - 60 days	239,525	63,040
61 - 90 days	58,156	65,158
91 - 120 days	608,206	1,122,238
	946,252	**1,311,550**

Total		
Current (0 -30 days)	2,461,920	2,579,769
31 - 60 days	2,218,318	2,021,676
61 - 90 days	1,442,744	1,650,253
91 - 120 days	65,285,280	55,834,597
	71,408,262	62,086,295
Less: Provision for debt impairment	(30,368,470)	(25,742,776)
	41,039,792	**36,343,519**

Less: Provision for debt impairment		
Less: Provision for debt impairment	(30,368,469)	(25,742,775)

Reconciliation of debt impairment provision		
Balance at beginning of the year	(25,742,775)	(26,303,688)
Contributions to provision	(4,625,694)	(5,518,722)
Debt impairment written off against provision	-	6,079,635
	(30,368,469)	**(25,742,775)**

8. Investments

ABSA		
8 Day Call Account	5,402,659	9,099,458

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,000	1,000
Bank balances	-	1,120,339
Bank overdraft	(1,255,562)	-
	(1,254,562)	**1,121,339**

Current assets	1,000	1,121,339
Current liabilities	(1,255,562)	-
	(1,254,562)	**1,121,339**

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA BANK - Cheque Account - 2290000036	1,540,152	2,656,865	(318,329)	(1,255,562)	1,120,339	(2,036,873)
ABSA BANK - 8 Day Notice Account - 2066073855	5,402,659	9,099,457	9,257	5,402,659	9,099,457	9,857
Total	**6,942,811**	**11,756,322**	**(309,072)**	**4,147,097**	**10,219,796**	**(2,027,016)**

10. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	16,282,834	-	16,282,834	16,282,834	-	16,282,834
Buildings	11,081,822	(1,107,425)	9,974,397	11,081,822	(738,284)	10,343,538
Infrastructure	309,193,462	(162,577,840)	146,615,622	279,358,533	(153,740,196)	125,618,337
Other property, plant and equipment	5,816,035	(3,777,901)	2,038,134	5,642,801	(2,979,615)	2,663,186
Total	**342,374,153**	**(167,463,166)**	**174,910,987**	**312,365,990**	**(157,458,095)**	**154,907,895**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	16,282,834	-	-	16,282,834
Buildings	10,343,538	-	(369,141)	9,974,397
Infrastructure	125,618,337	29,834,929	(8,837,644)	146,615,622
Other property, plant and equipment	2,663,186	173,234	(798,286)	2,038,134
	154,907,895	**30,008,163**	**(10,005,071)**	**174,910,987**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land	16,282,834	-	-	16,282,834
Buildings	10,712,680	-	(369,142)	10,343,538
Infrastructure	131,815,201	2,638,881	(8,835,745)	125,618,337
Other property, plant and equipment	3,119,420	303,511	(759,745)	2,663,186
	161,930,135	**2,942,392**	**(9,964,632)**	**154,907,895**

Revaluations

The effective date of the revaluations was 30 June 2008. Revaluations were performed by Combined Systems (Infrastructure) and Daniel Benjamin Grobler (Professional Associated Valuer, Member of the S.A Institute of Valuers and Member of the Council for the Property Valuers Profession, Professional Registration number 2311), from Anzel Trading 1024 trading as: Uluntu Valuations (Land and Buildings). Both contractors are not connected to the municipality.

	2011	2010

10. Property, plant and equipment (continued)

A revaluation of PPE was done during the year and in terms of Grap 17, paragraph 91 - " Where, on adoption of the accrual basis of accounting, an entity initially recognises property, plant and equipment on adoption of this Standard, the entity shall report the effect of the initial recognition of property, plant and equipment as an adjustment to the opening balance of accumulated surpluses or deficits for the period in which the Standard is first adopted."

Land and buildings are re-valued independently every 4 years as per the Municipal Property Rates Act, 6 of 2004.

The infrastructure was revalued using the current replacement cost to determine the fair value of infrastructure assets as no historical cost was available:

Current Replacement Costs

Fixed assets was valued using the cost of modern equivalent assets that would be installed today in order to provide the same level of service as the assets in place.
The replacement costs as at 1 July 2008 was calculated with the best information available and the sources will be disclosed.

Assets Descriptions and Classification

Since some reports are sorted alphabetically on asset description, the NATO Nomenclature (North Atlantic Treaty Organization) naming convention will be followed as far as possible. NATO requires that the most important attribute is to be the primary determinant in the asset description with the progressively less important attributes following. The asset description will therefore reflect the preponderance of common attributes in the order of importance attached to it and the degree of homogeneity with which differences between assets are regarded.
The National Treasury asset classification structure will be used as guideline and assets of Magareng Local Municipality to be classified accordingly. The importance of asset classification is to ensure the correct depreciation of each item (component) with a cost that is significant in relation to the total cost of the asset.

Measurement of Cost

Fixed assets for which the historical expenditure can be directly substantiated with documentary proof, will be brought into account by the Depreciated Cost methodology. Where no historical information is available the Depreciated Replacement Cost methodology will be used to bring the assets into account.

Age & Condition Assessment

Although we are not sworn evaluators, a ‘face value’ assessment of the condition of the infrastructure fixed assets will be done in conjunction with the responsible asset controller of the Municipality.
If the age of the asset cannot be determined fairly reliably it will be assumed that the asset has been in use for half of its useful life.

Land and buildings are re-valued independently every 5 years.

The valuation was performed using the discounted cash flow approach (other, describe, e.g. recent arms length transaction), and the following assumptions were used:
Discount rate
Other
Other.

These assumptions were based on current market conditions.

Other information

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

	2011	2010

11. Intangible assets

Transitional provisions

Intangible assets recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, certain intangible assets with a carrying value of R0,00- (2010: R0,00) was recognised at provisional amounts. The Municipality will determine these values during the 2012 financial year.

12. Other financial liabilities

	2011	2010
At fair value through surplus or deficit		
Daimler Chrysler	-	44,586
Current liabilities		
Fair value through surplus or deficit	-	44,586

13. Trade and other payables from exchange transactions

	2011	2010
Trade payables	27,034,201	20,305,226
Payments received in advanced - debtors	1,309,182	1,251,110
Deposits received	15,522	10,967
Other creditors	4,254,166	6,418,568
	32,613,071	**27,985,871**

14. Consumer deposits

	2011	2010
Consumer Deposits	530,197	506,365

15. Employee benefit obligations

Defined benefit plan

Post Medical Aid Benefit Obligation
The Municipality decided that as there were no significant changes in the employee benefits during the year to still use the valuation that was done for the 2009/2010 financial year. A full valuation report is available at the Municipal Offices.

Reconciliation of the opening and closing balances of the present value of the defined benefit obligation:

	2011	2010
Opening defined benefit obligation	(5,120,000)	(4,247,000)
Service Cost (Excludes employee contribution)	-	(311,000)
Interest Cost	-	(410,000)
Actuarial (losses)/ gains	-	(246,000)
Benefits paid	-	94,000
Closing defined benefit obligation	(5,120,000)	(5,120,000)

The amounts recognised in the Statement of Financial Performance for the current year is as follow:

	2011	2010
Service cost	-	311,000
Interest cost	-	410,000
Actuarial losses/(gains)	-	246,000
	-	**967,000**

Included in defined contribution plan information above, is plans which are Multi-Employer Fund and is a Defined Benefit Plan, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as a defined benefit plans. The municipality accounted for these plans as a defined contribution plans.

	2011	2010

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2011	2010
Unspent conditional grants and receipts		
Peanut Oil Project	972,239	972,239
MIG	6,597,880	6,197,404
MSIG	(1)	(1)
Library Development	293,066	242,663
EPWP - Hospital Road	(389,146)	(389,146)
Frances Baard	990,549	-
Sports Facilities	(779,143)	(779,143)
DBSA Grant	-	150,094
EPWP - Taxi Rank	983,808	983,808
EPWP - Paving Project	2,157,854	-
Provincial Infrastructure Grant	4,270,040	7,637,634
	15,097,146	**15,015,552**

Movement during the year

	2011	2010
Balance at the beginning of the year	15,015,552	904,787
Additions during the year	57,096,402	42,655,422
Income recognition during the year	(57,014,808)	(28,544,657)
	15,097,146	**15,015,552**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 23 for reconciliation of grants from National/Provincial Government.

17. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Leave Provision	1,673,017	523,409	2,196,426

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Leave Provision	1,296,765	468,694	(92,442)	1,673,017

Environmental rehabilitation: Landfill sites

No provision for reclamation of refuse landfill sites was made as the permit holder is Frances Baard District Municipality and they are liable for the rehabilitation. The municipality is in a process with Frances Baard District Municipality to transfer the permit back to the Municipality, whereafter the necessary provisions will be made.

Provision for Accrued Leave

The provision for accrued leave have been calculated on the stipulation of the SALGBC maximum accrued leave days of 48 days per employee.

18. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Loans and receivables	Held to maturity investments	Total
Trade and other receivables	4,060	-	4,060
Cash and cash equivalents	1,000	-	1,000
Investments	-	5,402,659	5,402,659
Other receivables from non-exchange transactions	783,293	-	783,293
Consumer Debtors	41,039,792	-	41,039,792
	41,828,145	**5,402,659**	**47,230,804**

2010

	Loans and receivables	Held to maturity investments	Total
Trade and other receivables	9,011	-	9,011
Cash and cash equivalents	1,121,339	-	1,121,339
Investments	-	9,099,458	9,099,458
Other receivables from non-exchange transactions	856,780	-	856,780
Consumer Debtors	36,343,519	-	36,343,519
	38,330,649	**9,099,458**	**47,430,107**

19. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	-	-
Trade and other payables	32,613,071	32,613,071
Unspent conditional grants	15,097,146	15,097,146
	47,710,217	**47,710,217**

2010

	Financial liabilities at amortised cost	Total
Other financial liabilities	44,586	44,586
Trade and other payables	27,985,871	27,985,871
Unspent conditional grants	15,015,552	15,015,552
	43,046,009	**43,046,009**

	2011	2010

20. Revenue

	2011	2010
Rendering of services	156,036	62,415
Property rates	2,803,492	-
Service charges	15,027,343	16,552,586
Rental of facilities & equipment	15,983	8,135
Interest received – trading	4,753,402	1,948,355
Fines	26,790	105,099
Licences and permits	424,548	440,201
Government grants & subsidies	57,014,807	28,544,657
	80,222,401	**47,661,448**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Rendering of services	156,036	62,415
Service charges	15,027,343	16,552,586
Rental of facilities & equipment	15,983	8,135
Interest received – trading	4,753,402	1,948,355
Licences and permits	424,548	440,201
	20,377,312	**19,011,692**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	2,803,492	-
Fines	26,790	105,099
Transfer revenue		
Government grants and subsidies	57,014,807	28,544,657
	59,845,089	**28,649,756**

	2011	2010

21. Property rates

Rates received

	2011	2010
Residential	2,438,217	-
Commercial	264,708	-
State	442,704	-
Property rates	233,265	-
Less: Income forgone	(575,402)	-
	2,803,492	**-**

2009/2010 Valuation Roll

All municipalities are required to compile and implement a valuation roll in terms of the Municipal Property Rates Act, (No 6 of 2004) by no later than 1 July 2009. Municipalities failing to compile and implement a roll in terms of the deadlines as set out in the Act, are prohibited from levying Property Rates until such a time that a valuation roll prepared according to the act have been completed and all legal requirements in terms of the Municipal Property Rates Act and Municipal Finance Management Act (No56 of 2003) have been adhered to.

Due to financial constraints, Magareng Municipality was unable to fund the valuation process, and Francis Baard District Municipality (FBDM) took the responsibility on themselves to assist Magareng to comply with the act. FBDM appointed a valuer through their procurement processes and they continued to compile a valuation role. Due to various unforeseen issues, the valuation roll was not accepted by FBDM and therefore Magareng Municipality was unable to levy any Property Rates for the 2009/2010 financial year. FBDM however once again took it upon themselves to assist Magareng Municipality and during a Council meeting held on 27 May 2009 approved an assistance package to the value of R3,5 million to substitute the loss of Rates Income for 2009/2010. They further undertook to assist the municipality by appointing a new valuer to compile a valuation roll to be implemented from 1 July 2010.

By the time of approving and sumitting the 2009/2010 Operational Budget a date still had to be set for a formal consultation between FBDM, Magareng Municipality, National Treasury, Provincial Treasury and the Department of Housing and LocalGovernment Northern Cape to discuss the correct financial disclosure of the transactions within the accounting recordsof FDBM and Magareng Municipality.

Uluntu Valuators were appointed to conduct general valuations as per the MPRA. Due to the delay in the valuation process as described above, Council resolved that the MRPA be implemented on 01 July 2010 with the valuation date 01 July 2010. The process was finalised completely during the 2009/2010 financial year to enable implementation of the MPRA.

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September. Interest at prime plus 1% per annum, is levied on rates outstanding two months after due date. The new general valuation will be implemented on 01 July 2010.

2010/2011

The valuation as carried out in 2009/2010 was implemented in the current financial year.

Valuations

	2011	2010
Residential	279,833,400	279,833,400
Commercial	48,407,800	51,875,800
State	27,871,900	27,871,900
Municipal	9,464,522	9,464,522
Small holdings and farms	383,419,567	383,419,567
	748,997,189	**752,465,189**

Notes to the Annual Financial Statements

	2011	2010

22. Service charges

	2011	2010
Sale of electricity	6,991,300	7,171,862
Sale of water	2,167,883	3,776,164
Sewerage and sanitation charges	3,050,484	3,013,202
Refuse removal	2,817,676	2,591,358
	15,027,343	**16,552,586**

Notes to the Annual Financial Statements

	2011	2010

23. Government grants and subsidies

	2011	2010
Equitable share	22,648,393	18,187,219
FMG	1,250,000	750,000
MIG	8,577,524	1,616,465
MSIG	750,000	1,284,260
Frances Baard	2,773,034	4,960,899
DWAF	633,325	202,694
Provincial Infrastructure Grant	8,724,263	104,307
EPWP - Hospital Road	-	847,473
Umsobomvu Youth Fund	-	310,393
Library Development Fund	209,597	109,347
DBSA	150,094	171,600
EPWP - Paving Project	11,298,577	-
	57,014,807	**28,544,657**

Equitable Share

	2011	2010
Balance unspent at beginning of year		
Current-year receipts	22,648,393	18,187,219
Conditions met - transferred to revenue	(22,648,393)	(18,187,219)
	-	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of R152.09(2009: R133.12), which is funded from the grant.

Peanut Oil Project

	2011	2010
Balance unspent at beginning of year	972,239	972,239

Conditions still to be met - remain liabilities (see note 16)

MIG

	2011	2010
Balance unspent at beginning of year	6,197,404	(27,131)
Current-year receipts	8,978,000	7,841,000
Conditions met - transferred to revenue	(8,577,524)	(1,616,465)
	6,597,880	**6,197,404**

Conditions still to be met - remain liabilities (see note 16)

The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households.

MSIG

	2011	2010
Balance unspent at beginning of year	(1)	434,260
Current-year receipts	750,000	850,000
Conditions met - transferred to revenue	(750,000)	(1,284,260)
Other	-	(1)
	(1)	**(1)**

Conditions still to be met - remain liabilities (see note 16)

Notes to the Annual Financial Statements

	2011	2010

23. Government grants and subsidies (continued)

The Municipal Systems Improvement Grant (MSIG) is a conditional grant directed to selected Local and District municipalities. The purpose of the grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other related local government policy and legislation so that they can carry mandated functions effectively.

Library Development Fund

	2011	2010
Balance unspent at beginning of year	242,663	91,009
Current-year receipts	260,000	261,000
Conditions met - transferred to revenue	(209,597)	(109,347)
Other	-	1
	293,066	**242,663**

Conditions still to be met - remain liabilities (see note 16)

EPWP : Hospital Road

	2011	2010
Balance unspent at beginning of year	(389,146)	136,219
Current-year receipts	-	322,108
Conditions met - transferred to revenue	-	(847,473)
	(389,146)	**(389,146)**

Conditions still to be met - remain liabilities (see note 16)

Frances Baard

	2011	2010
Current-year receipts	3,763,583	4,960,899
Conditions met - transferred to revenue	(2,773,034)	(4,960,899)
	990,549	**-**

Conditions still to be met - remain liabilities (see note 16)

Sports facilities

	2011	2010
Balance unspent at beginning of year	(779,143)	(779,143)

Conditions still to be met - remain liabilities (see note 16)

Umsobomvu Youth Fund

	2011	2010
Balance unspent at beginning of year	-	60,393
Current-year receipts	-	250,000
Conditions met - transferred to revenue	-	(310,393)
	-	**-**

Conditions still to be met - remain liabilities (see note 16)

DWAF

	2011	2010
Current-year receipts	633,325	202,694
Conditions met - transferred to revenue	(633,325)	(202,694)
	-	**-**

Notes to the Annual Financial Statements

	2011	2010

23. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16)

DBSA

Balance unspent at beginning of year	150,094	-
Current-year receipts	-	321,694
Conditions met - transferred to revenue	(150,094)	(171,600)
	-	**150,094**

Conditions still to be met - remain liabilities (see note 16)

FMG

Current-year receipts	1,250,000	750,000
Conditions met - transferred to revenue	(1,250,000)	(750,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 16)

EPWP - Taxi Rank

Balance unspent at beginning of year	983,808	983,808

Conditions still to be met - remain liabilities (see note 16)

EPWP - Paving Project

Current-year receipts	13,456,431	-
Conditions met - transferred to revenue	(11,298,577)	-
	2,157,854	**-**

Conditions still to be met - remain liabilities (see note 16).

Provincial Infrastructure Grant

Balance unspent at beginning of year	7,637,634	16,941
Current-year receipts	5,356,669	7,725,000
Conditions met - transferred to revenue	(8,724,263)	(104,307)
	4,270,040	**7,637,634**

Conditions still to be met - remain liabilities (see note 16).

24. Investment revenue

Interest revenue		
Bank	503,428	160,364

Notes to the Annual Financial Statements

	2011	2010

25. Employee related costs

Basic	11,408,232	8,880,057
Bonus	838,515	708,423
Medical aid - company contributions	988,837	804,579
UIF	116,527	83,844
WCA	644,444	-
SDL	150,395	134,669
Leave pay provision charge	523,409	468,694
Post-employment benefits - Pension - Defined benefit plan	1,971,543	1,079,945
Travel, motor car, accommodation, subsistence and other allowances	336,083	380,121
Overtime payments	2,061,201	1,523,757
Acting allowances	52,370	118,826
Housing benefits and allowances	36,005	43,206
Industrial Council	6,712	473,300
Telephone Allowance	68,000	(11,730)
Standby Allowance	54,747	18,380
Leave paid out	104,444	-
Termination benefits	161,493	967,000
	19,522,957	**15,673,071**

Remuneration of municipal manager

Annual Remuneration	502,353	416,519
Travel Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	16,228	2,995
Cellphone Allowance	12,000	5,000
	590,581	**484,514**

Remuneration of chief finance officer

Annual Remuneration	482,835	388,815
Contributions to UIF, Medical and Pension Funds	11,724	13,107
Cellphone Allowance	9,000	3,750
	503,559	**405,672**

Remuneration of the HOD Technical Services

Annual Remuneration	426,852	316,012
Travel Allowance	5,000	60,000
Contributions to UIF, Medical and Pension Funds	21,494	2,995
Cellphone Allowance	8,250	3,750
Leave pay	51,181	-
	512,777	**382,757**

Remuneration of the HOD Planning and Development

Annual Remuneration	404,295	322,796
Travel Allowance	60,000	60,000
Contributions to UIF, Medical and Pension Funds	30,264	37,848
Cellphone Allowance	9,000	4,230
Other - Acting Allowance	15,022	-
	518,581	**424,874**

Notes to the Annual Financial Statements

	2011	2010

26. Remuneration of councillors

Mayor	552,732	541,431
Councillors	688,373	633,010
Councillors' pension contribution	68,700	182,704
Travelling Allowance	452,774	427,279
Cellphone Allowance	109,843	99,102
	1,872,422	**1,883,526**

27. Depreciation and amortisation

Property, plant and equipment	10,005,072	9,964,631

28. Finance costs

Non-current borrowings	1,465	17,738
Other interest paid	57,712	-
	59,177	**17,738**

29. Debt impairment

Debt impairment	4,625,694	5,518,723

30. Bulk purchases

Electricity	8,631,004	6,954,617
Water	2,620,508	2,140,025
	11,251,512	**9,094,642**

31. Grants and subsidies

Other subsidies		
MSIG	750,000	762,954
Library Development	-	107,737
Sewerage Plant	-	12,362
Umsobomvu Youth Fund	-	395,910
FMG	1,193,988	702,902
Frances Baard	517,446	1,808,504
DWAF	-	202,694
Provincial Infrastructure Grant	1,197,280	-
	3,658,714	**3,993,063**

	2011	2010

32. General expenses

	2011	2010
Advertising	112,996	77,011
Auditors remuneration	676,020	1,265,999
Bank charges	189,235	175,053
Cleaning	15,889	8,945
Consulting and professional fees	248,486	713,291
Consumables	112,913	251,480
Debt collection	-	43,029
Entertainment	27,132	-
Insurance	434,002	394,383
IT expenses	30,940	-
Fuel and oil	631,724	454,262
Postage and courier	55,865	33,336
Printing and stationery	296,959	229,298
Protective clothing	5,055	39,706
Subscriptions and membership fees	100,000	100,000
Telephone and fax	705,606	247,255
Training	252,137	198,412
Travel - local	411,146	-
Departmental Charges	-	399,081
Sundry Expenses	2,081,739	284,639
Indigent Discounts	2,095,282	859,867
Special Projects	-	129,025
Chemicals	550,578	111,687
	9,033,704	**6,015,759**

33. Auditors' remuneration

	2011	2010
Fees	676,020	1,265,999

34. Cash generated from operations

	2011	2010
Surplus (deficit)	19,143,718	(5,488,924)
Adjustments for:		
Depreciation and amortisation	10,005,072	9,964,631
Debt impairment	4,625,694	5,518,723
Movements in retirement benefit assets and liabilities	-	873,000
Movements in provisions	523,409	376,252
Other non-cash items - Amounts written off against Accumulated Surplus	(3,331,270)	4,398,133
Changes in working capital:		
Inventories	(8,919)	3,872
Trade and other receivables from exchange transactions	4,951	(157,132)
Other receivables from non-exchange transactions	73,487	120,939
Consumer debtors	(9,321,967)	(14,823,289)
Trade and other payables from exchange transactions	4,627,200	67,616
VAT	(2,466,752)	288,902
Unspent conditional grants and receipts	81,594	14,110,765
Consumer deposits	23,832	50,255
	23,980,049	**15,303,743**

Notes to the Annual Financial Statements

	2011	2010

35. Commitments

Authorised capital expenditure

	2011	2010
Already contracted for but not provided for		
• Property, plant and equipment	369,998	13,680,854
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	983,808	-

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, MIG Funds, existing cash resources, funds internally generated, etc.

36. Contingencies

Litigation is in the process against the municipality relating to a dispute with a service provider who alleges that the municipality did not pay him an outstanding amount of R95 743.38 for valuation services.

Contingent assets

During April 2010 an unknown amount was lost at the Warrenton Office. Investigation is still underway and the case must still be reported to the South African Police Service.

During the week end of 2/3 October 2010 a burglary occured at the Warrenvale Office. An amount of R8 740,00 was reported missing and the matter was reported to SAPS. The matter is still under investigation.

37. Related parties

Related party relationships exist between the municipality and the following parties: Municipal Manager, Chief Finance Officer, Directors of directorates, Mayor, Speaker, Councillors, Internal and Audit committee members.
Close family members of the family of the abovementioned parties.

Related party balances

	2011	2010
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Members of Council	(65,910)	(43,554)
Member of Key management	(10,344)	(316)

Related party transactions

	2011	2010
Purchases from (sales to) related parties		
Members of Council	44,064	41,714
Member of Key management	17,255	5,651

Key management information

Class	Description	Number
Executive management		3
Mayor		1
Councillors		8
Municipal Managers		1

38. Comparative figures

Certain comparative figures have been reclassified. Please refer to Note 2.

39. Risk management

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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

Interest rate risk

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

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

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

39. Risk management (continued)

Credit risk

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

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

The entity only deposits cash with major banks with high quality credit standing. Grants are receivable from higher order levels of government. The credit risk pertaining to these financial assets are considered to be low.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts.

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

Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Price risk

The municipality is not exposed to price risk.

40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. Events after the reporting date

No material transactions occured that could have a significant effect after the reporting date.

	2011	2010

42. Unauthorised expenditure

Remuneration of Councillors	-	141,610
Depreciation	-	7,947,527
Bulk Purchases	-	2,119,642
Allowance - Acting	18,456	-
Allowance - Travelling	924	-
Leave Benefit	104,444	-
Overtime	335,101	-
Medical Aid Fund	64,044	-
Pension Fund	1,442,349	-
Post Service Medical	36,493	-
Skills Development Levy	12,080	-
Unemployment Insurance	5,265	-
Workman's Compensation	506,129	-
Basic Salary	159,010	-
Allowance - Cellphone	7,399	-
Depreciation	6,872,147	-
Bulk Purchases - Electricity	827,776	-
Consultancy Audit Committee	96,755	-
Consultancy Property Valuation	2,534	-
Debt Collection Services	74,898	-
Legal Services	95,974	-
FMG - Project 2	420,013	-
Free Basic Services - Sanitation	2,095,282	-
Printing & Stationary	1,959	-
Purification Works - Chemicals	50,578	-
Special Programs	57,835	-
O&M Grant Frances Baard	37,446	-
Leave	473,409	-
	13,798,300	**10,208,779**

The above main votes was overspend, but are awaiting Council condonement.

43. Fruitless and wasteful expenditure

Interest paid - ESKOM	50,222	80,631
Interest paid - Auditor General	17,846	20,998
Interest and penalties - SARS	-	97,519
Interest paid - Sol Plaatje	1,583	-
Interest paid - Gestetner Northern Cape	602	-
Interest paid - VEC Elektriese Groothandelaars	1,700	-
Interest paid - Telkom	352	-
Interest paid - Postmaster	1,893	-
	74,198	**199,148**

44. Irregular expenditure

Opening balance	-	-
Add: Irregular Expenditure - current year	229,601	-
Less: Amounts condoned	-	-
Less: Amounts not recoverable (not condoned)	-	-
	229,601	**-**

Irregular expenditure of of R229,601 will be submitted to council for consideration.

	2011	2010

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	100,000	100,000
Amount paid - current year	(100,000)	(100,000)
	-	-

Audit fees

Opening balance	1,876,990	1,908,036
Current year subscription / fee	1,074,220	1,380,747
Amount paid - current year	(702,925)	(1,411,793)
Amount subsidised	(532,783)	-
	1,715,502	**1,876,990**

PAYE and UIF

Current year subscription / fee	2,262,267	1,677,787

Pension and Medical Aid Deductions

Current year subscription / fee	4,556,914	4,000,735

VAT

VAT receivable	3,381,318	914,566

Not all VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011:

30 June 2011	Outstanding less than 90 days	Outstanding more than 90 days	Total
GA Manopole	455	2,103	2,558
L Louw	2,399	2,092	4,491
MR Moleko	292	16,460	16,752
EV Hans	1,206	21,132	22,338
BV Ximba	402	19,963	20,365
	4,754	**61,750**	**66,504**

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2010	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr W Johnson	3,360	8,334	11,694
Cllr H Visagie	781	493	1,274
Cllr ER Mpitso	1,021	897	1,918
Cllr GD Makena	8,598	7,025	15,623
Cllr MMM Bosman	166	(1,298)	(1,132)
Cllr OM Majola	162	2,905	3,067
	14,088	**18,356**	**32,444**

46. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E1 for the comparison of actual operating expenditure versus budgeted expenditure.

47. Deviation from supply chain management regulations

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

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

No deviations from supply chain management regulations occured.

Appendix A
June 2011

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Other loans								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
Total external loans								
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**

Magareng Local Municipality

Appendix B
June 2011

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Investment properties														
Investment property	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total														
Land and buildings	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Infrastructure	312,366	30,008	-	-	-	**-**	**342,374**	(157,458)	-	-	(10,005)	-	**(167,463)**	174,911
Community Assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Heritage assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Other assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Agricultural/Biological assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Intangible assets	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Investment properties	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	312,366	**30,008**	**-**	**-**	**-**	**-**	**342,374**	**(157,458)**	**-**	**-**	**(10,005)**	**-**	**(167,463)**	**174,911**

Appendix C
June 2011

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance & Admin/Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Planning and Development/Economic Development/Plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health/Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Comm. & Social/Libraries and archives	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety/Police	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection/Pollution Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Water Management/Sewerage	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Road Transport/Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water/Water Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity /Electricity Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other/Air Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Magareng Local Municipality
Appendix D
June 2011

Segmental Statement of Financial Performance for the year ended

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

Appendix E(1)
June 2011

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

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rendering of services	156,036	-	156,036	-	
Property rates	2,803,491	-	2,803,491	-	
Service charges	15,027,342	-	15,027,342	-	
Rental of facilities and equipment	15,983	-	15,983	-	
Interest received (trading)	4,753,402	-	4,753,402	-	
Fines	26,790	-	26,790	-	
Licences and permits	424,548	-	424,548	-	
Government grants & subsidies	57,014,807	-	57,014,807	-	
Commissions received	-	-	-	-	
Other income 1	1,729,056	-	1,729,056	-	
Interest received - investment	503,428	-	503,428	-	
	82,454,883	-	82,454,883	-	
Expenses					
Personnel	(21,648,456)	-	(21,648,456)	-	
Remuneration of councillors	(1,872,421)	-	(1,872,421)	-	
Depreciation	(10,005,072)	-	(10,005,072)	-	
Finance costs	(59,177)	-	(59,177)	-	
Debt impairment	(4,625,694)	-	(4,625,694)	-	
Repairs and maintenance - General	(679,224)	-	(679,224)	-	
Bulk purchases	(11,251,512)	-	(11,251,512)	-	
Contracted Services	(477,194)	-	(477,194)	-	
Grants and subsidies paid	(3,658,714)	-	(3,658,714)	-	
General Expenses	(9,033,704)	-	(9,033,704)	-	
	(63,311,168)	-	(63,311,168)	-	
Other revenue and costs					
Net surplus/ (deficit) for the year	19,143,715	-	19,143,715	-	

Appendix E(2)
June 2011

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	
Municipal Owned Entities					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	30,008	**-**	**(30,008)**	**-**	
Other charges					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

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

MAGARENG LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

FOR THE YEAR ENDED 30 JUNE 2011

	SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011							
EXTERNAL LOANS	**Loan Number**	**Redeemable**	**Balance at 30 June 2010**	**Received during the year**	**Redeemed written off during the year**	**Balance at 30 June 2011**	**Carrying Value of Property, Plant & Equipment**	**Other Costs in accordance with the MFMA**
			R	**R**	**R**	**R**	**R**	**R**
LONG-TERM LOANS								
				-	-	-	-	-
(There were no long-term loans as at year end)				-	-	-	-	-
				-	-	-	-	-
				-	-	-	-	-
				-	-	-	-	-
				-	-	-	-	-
				-	-	-	-	-
				-	-	-	-	-
				-	-	-	-	-
TOTAL EXTERNAL LOANS			**-**	**-**	**-**	**-**	**-**	**-**

MAGARENG LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2011

	COST				Accumulated Depreciation				Carrying Value	Budget Additions 2010
	Opening balance	Additions	Disposals	Closing balance	Opening balance	Depreciation	Disposals	Closing balance		
Land	16 282 834	-	-	**16 282 834**	-	-	-	**-**	**16 282 834**	
Buildings	11 081 822	-	-	**11 081 822.04**	738 283	369 142	-	**1 107 425.42**	**9 974 396.62**	
Infrastructure	279 358 533	29 834 929.37	-	**309 193 462.71**	153 740 197	8 837 643	-	**162 577 840.40**	**146 615 622.31**	
Other Assets	5 642 801	173 233.76	-	**5 816 035.14**	2 979 614	798 287	-	**3 777 901.04**	**2 038 134.10**	
	-	-	-	**-**	-	-	-	**-**	**-**	
TOTAL	**312 365 991**	**30 008 163**	**-**	**342 374 154**	**157 458 094**	**10 005 072**	**-**	**167 463 167**	**174 910 987**	

MAGARENG LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

FOR THE YEAR ENDED 30 JUNE 2011

	COST					Accumulated Depreciation				
	Opening balance	Additions	Additions Under Construction	Disposals	**Closing balance**	Opening balance	Depreciation	Disposals	**Closing balance**	**Carrying Value**
Executive & Council	306 980 029	-	-	-	**306 980 029**	154 660 962	9 260 372	-	**163 921 335**	**143 058 694**
Corporate Support Services	150 830	-	-	-	**150 830**	102 485	25 612	-	**128 097**	**22 733**
Municipal Manager	44 150	-	-	-	**44 150**	31 287	7 820	-	**39 106**	**5 044**
Finance	447 298	49 133	-	-	**496 431**	247 303	80 611	-	**327 914**	**168 517**
Planning and Development	47 800	-	-	-	**47 800**	33 828	8 455	-	**42 283**	**5 517**
Technical Services	4 695 884	124 101	29 834 929	-	**34 654 915**	2 382 229	622 202	-	**3 004 430**	**31 650 485**
TOTAL	**312 365 991**	**173 234**	**29 834 929**	**-**	**342 374 154**	**157 458 094**	**10 005 072**	**-**	**167 463 166**	**174 910 988**

MAGARENG LOCAL MUNICIPLAITY

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

2010 REVENUE	2010 EXPENSES	2010 Surplus/ (Deficit)		2011 REVENUE	2011 EXPENSES	2011 Surplus/ (Deficit)
R	R	R		R	R	R
21 523 277	8 438 160	13 085 117	Executive & Council	23 548 487	5 858 915	**17 689 572**
-	2 448 567	(2 448 567)	Corporate Support Services	-	2 866 791	**(2 866 791)**
10 668	805 103	(794 435)	Municipal Manager	3 997	1 087 160	**(1 083 163)**
2 131 976	16 330 894	(14 198 918)	Finance	9 654 700	10 844 758	**(1 190 058)**
-	1 140 978	(1 140 978)	Planning and Development	125 627	2 381 402	**(2 255 775)**
25 653 133	25 644 275	8 858	Technical Services	49 713 833	40 863 901	**8 849 932**
49 319 053	**54 807 977**	**(5 488 924)**	**TOTAL**	**83 046 643**	**63 902 926**	**19 143 718**

MAGARENG LOCAL MUNICIPLAITY

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)

FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE					
Rending of services	156 036	180 550	(24 514.00)	-13.58%	
Property rates	2 803 492	4 001 000	(1 197 508.00)	-29.93%	
Service charges	15 027 343	21 289 212	(6 261 869.00)	-29.41%	
Rental of facilities and equipment	15 983	20 000	(4 017.00)	-20.09%	
Interest received(trading)	4 753 402	6 650 000	(1 896 598.00)	-28.52%	
Fines	26 790	43 400	(16 610.00)	-38.27%	
Licences and permits	424 548	484 250	(59 702.00)	-12.33%	
Government grants and subsidies	57 014 807	56 058 950	955 857.00	1.71%	
Commision received	-	-	-	0.00%	
Other Income	1 729 057	515 000	1 214 057.00	235.74%	
Interest received - investment	503 428	580 000	(76 572.00)	-13.20%	
Total Revenue	**82 454 886**	**89 822 362**	**(7 367 476.00)**	**-8.20%**	
EXPENDITURE					
Employee related costs	21 648 455	20 870 705	777 750.00	3.73%	
Remuneration of Councillors	1 872 422	1 966 177	(93 755.00)	-4.77%	
Depreciation	10 005 072	3 132 925	6 872 147.00	219.35%	
Finance costs	59 177	203 000	(143 823.00)	-70.85%	
Debt Impairment	4 625 694	5 518 723	(893 029.00)	-16.18%	
Repairs and maintenance	679 224	1 147 500	(468 276.00)	-40.81%	
Bulk purchases	11 251 512	10 903 228	348 284.00	3.19%	
Contracted services	477 194	1 075 650	(598 456.00)	-55.64%	
Grants and subsidies paid	3 658 714	48 592 792	(44 934 078.00)	-92.47%	
General expenses	9 033 704	12 435 533	(3 401 829.00)	-27.36%	
Total Expenditure	**63 311 168**	**105 846 233**	**(42 535 065.00)**	**-40.2%**	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**19 143 718**	**(16 023 871)**	**35 167 589**	**-219.47%**	

MAGARENG LOCAL MUNICIPALITY

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)

FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	R	R	%	
Executive & Council	-	-	-	-	-	0.00%	
Corporate Support Services	-	-	-	-	-	0.00%	
Municipal Manager	-	-	-	-	-	0.00%	
Finance	49 133	-	49 133	50 000	(867)	-1.73%	
Planning and Development	-	-				0.00%	
Technical Services	124 101	29 834 929	29 959 030	45 439 758	(15 480 728)	-34.07%	
TOTAL	**173 234**	**29 834 929**	**30 008 163**	**45 489 758**	**(15 481 595)**	**-34.03%**	

APPENDIX F

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

FOR THE YEAR ENDED 30 JUNE 2011

Name of Grants	Name Organ of State or Municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld		Reasons for delay / withholding of funds	Compliance with conditions (Y/N)	Reasons for non-compliance
		Sep	**Dec**	**Mar**	**Jun**	**Sep**	**Dec**	**Mar**	**Jun**					
EQUITABLE SHARE	National Treasury	9 436 830	7 549 464	5 662 099		5 662 098	5 662 098	5 662 098	5 662 099	-	-	None	Y	
MIG	National Treasury	1 000 000	2 000 000	4 978 000	1 000 000	3 367 896	5 209 628	-	-	-	-	None	Y	
MSIG	National Treasury	750 000				-	449 386	172 298	128 315	-	-	None	Y	
FMG	National Treasury	1 250 000				-	11 221	399 953	838 826	-	-	None	Y	
PEANUT SHARE						-	-	-	-	-	-	None	Y	
LIBRARY DEVELOPMENT FUND			260 000			16 155	130 651	27 912	34 879	-	-	None	Y	
EPWP		3 456 431		4 000 000	6 000 000	-	-	3 626 410	7 672 167	-	-	None	Y	
SEWERAGE PLANT						-	-	-	-	-	-	None	Y	
SPORTS FACILITIES	National Treasury					-	-	-	-	-	-	None	Y	
UMSOBOMVU YOUTH FUND						-	-	-	-	-	-	None	Y	
FRANCES BAARD O&M	Frances Baard	270 645			3 492 939	-	47 047	-	2 725 987	-	-	None	Y	
FRANCES BAARD RATES	Frances Baard					-	-	-	-	-	-	None	Y	
DBSA Grant	DBSA					-	-	-	150 094	-	-	None	Y	
DWAF	DWAF			633 325		-	-	633 325	-	-	-	None	Y	
PIG	Provincial Treasury			5 356 669		447 524	1 131 007	3 840 575	3 305 157	-	-	None	Y	
		16 163 906	**9 809 464**	**20 630 093**	**10 492 939**	**9 493 673**	**12 641 038**	**14 362 571**	**20 517 524**	**-**	**-**			