Naledi Local Municipality

(Municipal code NW392)
Annual Financial Statements
for the year ended June 30, 2011

General Information

Legal form of entity	Local municipality
Nature of business and principal activities	Local municipal functions as set out in the Constitution of South Africa (Act No. 105 of 1996)
Mayoral committee	
Mayor	Mayor S T Modise Councillor C J Groep (MMC) Councillor H L Pretorius (MMC) Councillor E K Moroka (MMC)
Councillors	Councillor N G Mathiba (Speaker) Councillor A N Bareng Councillor J A Adonis Councillor O K Bareki Councillor G A Coetzee Councillor S B Kgodumo Councillor B M Kegakilwe Councillor A Lekgetho Councillor K K Kgajane Councillor MJ Nchochoba Councillor D P Matobo Councillor G Ramorogadi Councillor E P Renoster Councillor N R Thekisho
Grading of local authority	Grade 3
Accounting Officer	Mr M.T. Segapo
Chief Finance Officer (CFO)	Ms. O.L Ndlovu
Business address	19A Civic Center Market Street Vryburg 8600
Postal address	PO Box 35 Vryburg 8601
Auditors	The Auditor General of South Africa
Attorneys	Du Plessis & Viviers Attorneys PO Box 2010 Vryburg 8600

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
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
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NLM	Naledi Local Municipality

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 Standards of Generally Recognised Accounting Practice (GRAP).

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 June 30, 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.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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.

The annual financial statements set out on pages 4 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 26 September 2011 and were signed on its behalf by:

M.T. Segapo
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended June 30, 2011.

1. Review of activities

Main business and operations

The municipality is engaged in local municipal functions as set out in the constitution of South Africa (act no. 105 of 1996) and operates principally in South Africa.

The operating results for the year were satisfactory. This is despite the fact that municipality had a net deficit of R10 594 678 (2010: R34 342 356), which marginally decreased from the prior year.

2. Going concern

We draw attention to the fact that at June 30, 2011, the municipality had accumulated deficits of R (41,028,370). We refer you to note 37 for more information.

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.

3. Subsequent events

The accounting officer is not aware of any significant matters or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared in accordance with the GRAP Framework, including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed GRAP Framework issued by the Accounting Standards Board as the prescribed framework by National Treasury.

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at council meetings and monitor the municipality's compliance with the code on a regular basis.

Management meetings

The accounting officer has held several management meetings during the financial year. The accounting officer schedules to meet at least 12 times per annum.

Internal audit

The municipality has a shared internal audit function with the district municipality. This is in compliance with the Municipal Finance Management Act, 2003.

6. Auditors

The Auditor General of South Africa will continue to act as the municipality's auditors, as required by the constitution and MFMA.

Statement of Financial Position

	Note(s)	2011 R	2010 R
Assets			
Current Assets			
Inventories	7	86,691	306,360
Trade and other receivables from exchange transactions	8	4,113,256	3,228,882
VAT receivable	9	7,150,762	9,159,810
Consumer debtors	10	50,522,949	35,271,749
Money Market Investments		3,462,613	5,300,316
Cash and cash equivalents	11	9,380,497	9,937
		74,716,768	**53,277,054**
Non-Current Assets			
Biological assets	2	4,838,341	4,080,322
Investment property	3	3,116,268	3,116,268
Property, plant and equipment	4	169,812,317	168,253,979
Intangible assets	5	476,431	266,575
		178,243,357	**175,717,144**
Total Assets		**252,960,125**	**228,994,198**
Liabilities			
Current Liabilities			
Other Interest Bearing liabilities	15	46,370,380	48,033,403
Finance lease obligation	16	516,942	710,273
Trade and other payables from exchange transactions	19	120,253,363	87,423,042
Consumer deposits	20	3,274,255	3,100,263
Unspent conditional grants (receipts)	17	10,283,153	6,610,594
Provisions	18	257,371	607,494
Bank overdraft	11	-	3,334,741
		180,955,464	**149,819,810**
Non-Current Liabilities			
Other Interest Bearing liabilities	15	15,899,146	16,539,468
Finance lease obligation	16	-	367,478
		15,899,146	**16,906,946**
Total Liabilities		**196,854,610**	**166,726,756**
Net Assets		**56,105,515**	**62,267,442**
Net Assets			
Reserves			
Housing Development Fund	12&12	-	1,720,256
Government grant reserve	13&13	92,154,045	93,075,918
Donations and public contributions	14&14	4,979,840	225,720
Accumulated surplus		(41,028,370)	(32,754,452)
Total Net Assets		**56,105,515**	**62,267,442**

Statement of Financial Performance

	Note(s)	2011 R	2010 R
Revenue			
Rendering of services		601,751	376,243
Property rates		20,963,025	23,087,093
Service charges	21	107,411,285	92,367,605
Rental of facilities and equipment		780,097	784,220
Interest received (consumer debtors)		7,421,099	7,450,369
Income from agency services		120,913	99,887
Public contributions and donations		4,801,640	-
Fines		315,897	578,029
Licences and permits		1,437,593	1,498,343
Government grants & subsidies	22	36,896,338	61,706,570
Land sales		-	92,059
Miscellaneous other revenue		1,117,815	1,018,181
Fees earned		11,255	19,477
Commissions received		691,818	295,814
Fair value adjustments (Biological assets)		551,865	1,095,426
Entrance fees		44,197	50,403
Other income		(108,944)	226,607
Interest received - investment		274,767	62,344
Total Revenue		**183,332,411**	**190,808,670**
Expenditure			
Personnel	25	(68,700,257)	(65,660,335)
Remuneration of councillors	26	(4,384,399)	(3,707,960)
Depreciation and amortisation	27	(8,462,733)	(8,881,550)
Finance costs	28	(10,435,449)	(9,651,789)
Debt impairment		(26,812,530)	(69,126,391)
Repairs and maintenance		(4,110,139)	(5,915,227)
Bulk purchases	31	(45,785,826)	(34,566,552)
General Expenses	24	(25,235,846)	(27,641,522)
Total Expenditure		**(193,927,179)**	**(225,151,326)**
Gain on disposal of assets and liabilities		-	300
Deficit for the year		**(10,594,768)**	**(34,342,356)**

Naledi Local Municipality

(Municipal Code NW392)
Annual Financial Statements for the year ended June 30, 2011

Statement of Changes in Net Assets

	Housing Development Fund	Government grant reserve	Donations and public contributions	Total reserves	Accumulated surplus	Total net assets
	R	R	R	R	R	R
Balance at July 01, 2009	**(3,052,352)**	**58,042,424**	**-**	**54,990,072**	**(34,920,856)**	**20,069,216**
Changes in net assets						
Surplus for the year	-	-	-	-	(34,342,356)	(34,342,356)
Additions	-	35,081,797	237,600	35,319,397	(35,319,397)	-
Receipts	27,869,756	-	-	27,869,756	-	27,869,756
Payments	(23,097,148)	-	-	(23,097,148)	-	(23,097,148)
Prior Year Adjustment	-	-	-	-	71,767,974	71,767,974
Depreciation	-	(48,303)	(11,880)	(60,183)	60,183	-
Total changes	4,772,608	35,033,494	225,720	40,031,822	2,166,404	42,198,226
Balance at July 01, 2010	**1,720,256**	**93,075,918**	**225,720**	**95,021,894**	**(34,920,856)**	**20,069,216**
Changes in net assets						
Surplus for the year	-	-	-	-	(10,594,768)	(10,594,768)
Receipts	-	7,493,340	4,801,640	12,294,980	-	12,294,980
Payments	(1,720,256)	-	-	(1,720,256)	-	(1,720,256)
Prior Year Adjustment (Note	-	-	-	-	(3,209,746)	(3,209,746)
Transfers	-	-	-	-	(765,733)	(765,733)
Depreciation	-	(8,415,213)	(47,520)	(8,462,733)	8,462,733	-
Total changes	(1,720,256)	(921,873)	4,754,120	2,111,991	(6,107,514)	(3,995,523)
Balance at June 30, 2011	**-**	**92,154,045**	**4,979,840**	**97,133,885**	**(41,028,370)**	**56,105,515**
Note(s)	12	13	14			

Cash flow statement

	Note(s)	2011 R	2010 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		126,438,260	87,320,373
Interest income		274,767	62,344
Government grants		36,896,338	61,706,570
Other cash item		-	12,489,632
		163,609,365	161,578,919
Payments			
Employee costs		(73,084,656)	(69,368,295)
Finance costs		(10,435,449)	(9,651,789)
Other cash item		(52,085,804)	(49,414,195)
		(135,605,909)	(128,434,279)
Net cash flows from operating activities	32	**28,003,456**	**33,144,640**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(12,196,717)	(34,634,838)
Purchase of other intangible assets	5	(287,596)	(24,811)
Proceeds from sale of biological assets	2	-	193,142
Sale of assets and liabilities		-	300
Net cash flows from investing activities		**(12,484,313)**	**(34,466,207)**
Cash flows from financing activities			
Repayment of other interest bearing liabilities		(2,940,663)	6,005,199
Finance lease payments		(510,497)	(913,498)
Net cash flows from financing activities		**(2,813,842)**	**5,091,701**
Net increase/(decrease) in cash and cash equivalents		**12,705,300**	**3,770,134**
Cash and cash equivalents at the beginning of the year		(3,324,804)	(7,094,938)
Cash and cash equivalents at the end of the year	11	**9,380,496**	**(3,324,804)**

Accounting Policies

1. Presentation of Annual Financial Statements

These annual financial statements have been prepared in accordance with the effective GRAP Framework which includes any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next twelve months and are presented in South African Rand.

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

The provisions of GRAP 23 -Revenue from Non-exchange Transactions (Taxes and Transfers) relating to transfers and subsidies received were adopted in accordance with the allowance made by GRAP 3 -Accounting Policies, Changes in Accounting Estimates and Errors.

The standards became effective for implementation in financial periods begining on or after 1 April 2009, with the exception of GRAP 23 which was approved by the Accounting Standards Board but not yet effective as at 30 June 2011. Adoption of the standards has had no material impact on the current and future reporting periods.

1.1 Presentation of currency

These annual financial statements are presented in South African Rand.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the audited annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited 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 audited annual financial statements.

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.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors like economic factors, such as inflation interest.

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 18 - Provisions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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 engages actuarialists to determines the appropriate assumptions to use in the determination of the present value of its obligation and the fair value of its assets at the end of each year.

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. Thus, the amount is equivalent to the amount that the municipality is not likely to receive, at balance sheet date, based on the debtors'balance as at that date.

1.3 Biological assets

The Municipality entity recognises a biological assets when, and only when:

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

Biological assets are measured at their fair value less point-of-sale costs. The fair value of game is determined based on market prices of game of similar age, breed and generic merit.

The estimated quantity of game is counted by qualified proffesionals and it was done at the end of the year . Any significant movements after stock count date are taken into account in the year-end estimated quantities. Increase/decrease on valuation is recognised in the income statement as fair value adjustment.

Game has been disclosed in terms of municipal specific accounting policy, based on industrial practices, in which cases it was reviewed by National Treasury and found to be adequate for implementation. This policy may be used by the municipality until an alternative standard is available. This specific policy deviates from GRAP 101. Management believes this represents a more correct presentation of fair value of the Game as this standard does not make provision for animals used primarily for non-productive purposes such as recreational parks or game farms, as these fall outside the scope of this standard, GRAP 101.10. However, should compliance to GRAP 101 have been effected, this would have resulted in either a surplus or a deficit in the statement of financial performance, dependent on whether the value of Game increased or decreased over the financial period.

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

Transitional provision

According to the transitional provision, the municipality is not required to recognise or measure biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Agriculture. Biological assets and/or agricultural produce has accordingly been recognised at provisional amounts, as disclosed in 2. The transitional provision expires on Saturday, June 30, 2012.

Accounting Policies

1.3 Biological assets (continued)

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where biological assets and/or agricultural produce was acquired through a transfer of functions, the municipality is not required to measure that biological assets and/or agricultural produce 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 biological assets and/or agricultural produce has accordingly been recognised at provisional amounts, as disclosed in 2.

Until such time as the measurement period expires and biological assets and/or agricultural produce is recognised and measured in accordance with the requirements of the Standard of GRAP on Biological 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 Agriculture implies that any associated presentation and disclosure requirements need not be complied with for biological assets and/or agricultural produce not measured in accordance with the requirements of the Standard of GRAP on Agriculture.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the provision of 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.

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.

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 cost less accumulated depreciation and any impairment losses.

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

Item	**Average useful life**
Infrastructure	
• Roads and paving	10 - 30
• Electricity	10 - 30
• Water	15 - 20
• Sewerage	15 - 20
• Landfill site	17
• Pedestrian Malls	20
Community	
• Buildings	30
• Recreational Facilities	20
• Security	3 - 5
Other	

Accounting Policies

1.4 Property, plant and equipment (continued)

• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Furniture and fittings	7 - 10
• Vehicles	3 - 20
• Bins and containers	5 - 10
• Office equipment	3-5
• Emergency Equipment	5 - 15
• Plant & Machinery	5 - 15
• Airports	15 - 20
• Gas	20
Heritage	
• Museums & other collectables	indefinite

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.

Transitional provision

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 4. The transitional provision expires on Saturday, June 30, 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 2003 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in note 4.

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.

Accounting Policies

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

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Transitional provision

According to the transitional provision as per Directive 4, 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 3. The transitional provision expires on Saturday, June 30, 2012.

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.

Accounting Policies

1.6 Intangible assets

Intangible assets are initially recognised at cost.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

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.

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	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 5. The transitional provision expires on Saturday, June 30, 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 5.

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.

1.7 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.

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

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between

Accounting Policies

1.7 Impairment of cash-generating assets (continued)
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.

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.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Reversal of impairment loss

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.8 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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.

Accounting Policies

1.8 Financial instruments (continued)

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.

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

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

Loans to directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Amortised cost referres to the initial carrying amount, plus interest, less repayments and impairments. 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 90 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.

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 Municipal Financial Management Act..

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

Accounting Policies

1.8 Financial instruments (continued)
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.

1.9 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.

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.

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.

Inventories also includes the portion of game held for hunting during the next finacial period, valued at their fair value less estimated point of sale costs of Game held for hunting during the next financial period. This will be based on quantities approved for sale by the council.

Transitional provision

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 7. The transitional provision expires on Saturday, June 30, 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 7.

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)

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.

1.10 Borrowing costs

Borrowing costs for qualifying assets are capitalised unless 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.

Any other borrowing costs are recognised as an expense in the period in which they are incurred.

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.

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.

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 34.

Transitional provision

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 18.

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.

Accounting Policies

1.12 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 municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits 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 municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.13 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.

1.14 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 - 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 - the municipality as lessor

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

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

Accounting Policies

1.14 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.

1.15 Non-current assets held for sale

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

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

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

1.16 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.

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.

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.

Accounting Policies

1.16 Revenue from exchange transactions (continued)

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards is recognised based on consumption. The consumption is determined based on the following trend analysis:

(a) During the winter season (May, June, July and August), the municipality tend to sell more units as the temperatures will be generally low.

(b) The municipality will calculate the average sales for the four months. The resultant average units are compared to the sales for May and August for reasonableness. If the average sales are within a reasonable range or threshhold of the May and August units sold, the average is deemed reasonable. If it is not within the reasonable range obtained of the May and August sales, reasons for the significant variances are obtained. If there are exceptional items, these are adjusted for.

(c) The resultant reasonable average consumption rate is used as an estimated consumption of prepaid electricity for June. The actual units sold in June are then compared to the estimated consumption for June.

If the actual quantity sold is more than the estimated consumption for June, prepaid electricity revenue sales for June is based on the estimated consumption for June and the excess is deferred to July of the ensuing period.

If the actual quantity sold in June is less than the estimated consumption for June, prepaid revenue sales for June is based on the actual units sold.

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

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Interest

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.

- Additional text

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange. Revenue from non exchange transactions is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements or restrictions.

Rates and taxes.

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably an there has been compliance with the relevant legal requirements.

A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

Changes to property values during a reporting period are valued b a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion bases. Adjustments to rates revenue already recognised are processed or additional rates revenue recognised.

Fines

Revenue from issuing of fines is recognised on receipt.

Donations and contributions

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

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

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

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

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

Unconditional grants and receipts

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)
reporting period in which they are received or receivable.

Conditional grants and receipts

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

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

Revenue from recovery of irregular, fruitless and wasteful expenditure

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

1.18 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.

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the Statement of Financial Performance.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Muncipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the relevant authority it is treated as a current asset until it is recovered or written off as irrecoverable in the Statement of Financial Performance.

1.20 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.

1.21 Comparative figures

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

1.22 Use of estimates

The preparation of audited 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 audited annual financial statements are disclosed in the relevant sections of the audited annual

Accounting Policies

1.22 Use of estimates (continued)
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.

1.23 Offsetting

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

1.24 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.25 Internal reserves

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Donations and public contributions reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.26 Presentation of Budget Information

Budgets are not prepared on a comparable basis. The reconciliation of budget and actual amounts, as required by the directive from ASB, are disclosed in the notes.

Notes to the Annual Financial Statements

	2011 R	2010 R

Notes to the Annual Financial Statements

	2011 R	2010 R

2. Biological assets

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Blesbuck	128,750	-	128,750	63,900	-	63,900
Gemsbucks	307,200	-	307,200	440,425	-	440,425
Red Hartebeest	549,000	-	549,000	332,500	-	332,500
Blue Wilderbeest	141,620	-	141,620	122,580	-	122,580
Impala	105,616	-	105,616	67,718	-	67,718
Buffalos	1,395,000	-	1,395,000	1,128,000	-	1,128,000
Eland	246,228	-	246,228	269,399	-	269,399
Waterbuck	104,500	-	104,500	85,000	-	85,000
Rhinocerus	1,800,000	-	1,800,000	1,503,000	-	1,503,000
Springbucks	49,977	-	49,977	59,800	-	59,800
Ostrich	10,450	-	10,450	7,000	-	7,000
Duiker	-	-	-	1,000	-	1,000
Total	**4,838,341**	**-**	**4,838,341**	**4,080,322**	**-**	**4,080,322**

Reconciliation of biological assets - 2011

	Opening balance	Net Additions	Net Disposals	Transfers from inventory	Total
Blesbuck	63,900	55,265	-	9,585	128,750
Gemsbuck	440,425	-	(158,313)	25,088	307,200
Red Hartebeest	332,500	139,550	-	76,950	549,000
Blue Wilderbeest	122,580	-	(3,024)	22,064	141,620
Impala	67,718	17,375	-	20,523	105,616
Buffalos	1,128,000	267,000	-	-	1,395,000
Eland	269,399	-	(32,320)	9,149	246,228
Waterbucks	85,000	-	(7,500)	27,000	104,500
Rhinocerus	1,503,000	297,000	-	-	1,800,000
Springbuck	59,800	-	(25,618)	15,795	49,977
Ostrich	7,000	3,450	-	-	10,450
Duiker	1,000	-	(1,000)	-	-
	4,080,322	**779,640**	**(227,775)**	**206,154**	**4,838,341**

Reconciliation of biological assets - 2010

	Opening balance	Additions	Disposals	Total
Blesbuck	64,000	-	(100)	63,900
Gemsbuck	312,700	127,725	-	440,425
Red Hartebeest	387,000	-	(54,500)	332,500
Blue Wilderbeests	137,740	-	(15,160)	122,580
Impala	72,816	-	(5,098)	67,718
Buffalos	107,200	1,020,800	-	1,128,000
Eland	130,356	139,043	-	269,399
Waterbuck	109,250	-	(24,250)	85,000
Rhinocerus	1,580,000	-	(77,000)	1,503,000
Springbuck	62,934	-	(3,134)	59,800
Ostrich	20,900	-	(13,900)	7,000
Duiker	-	1,000	-	1,000
	2,984,896	**1,288,568**	**(193,142)**	**4,080,322**

Notes to the Annual Financial Statements

	2011 R	2010 R

2. Biological assets (continued)

Non - Financial information

Quantities of each biological asset		
Blesbucks	103	60
Gemsbucks	64	79
Red Hartebeests	122	70
Blue Wilderbeests	73	60
Impala	161	98
Buffalos	9	8
Eland	51	81
Waterbuck	22	17
Rhinocerus	10	9
Springbucks	81	92
Ostrich	11	7
Duiker	17	2
	724	**583**

Transitional provisions

Biological assets and/or agricultural produce recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, biological assets as disclosed in note can be recognised at provisional amounts. As at 30 June 2010, there are no biological assets recognised at provisional amounts.

3. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	3,116,268	-	3,116,268	3,116,268	-	3,116,268

Reconciliation of investment property - 2011

	Opening balance	Total
Investment property	3,116,268	3,116,268

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	3,116,268	3,116,268

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.

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note 3 investment property with a carrying value of R3 116 268 (2010: R 3 116 268) was recognised at provisional amounts.

Notes to the Annual Financial Statements

	2011 R	2010 R

4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	2,141,801	-	2,141,801	2,141,801	-	2,141,801
Buildings	36,961,694	(17,100,580)	19,861,114	36,045,774	(16,352,028)	19,693,746
Infrastructure	133,013,903	(80,006,439)	53,007,464	126,895,284	(75,075,230)	51,820,054
Community	3,418,415	(2,297,097)	1,121,318	3,418,415	(2,199,344)	1,219,071
Capital work in progress	80,385,966	-	80,385,966	85,049,061	-	85,049,061
Other	31,531,374	(18,236,720)	13,294,654	24,077,274	(15,747,028)	8,330,246
Total	**287,453,153**	**(117,640,836)**	**169,812,317**	**277,627,609**	**(109,373,630)**	**168,253,979**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	2,141,801	-	-	-	2,141,801
Buildings	19,693,746	948,922	(31,076)	(750,478)	19,861,114
Infrastructure	51,820,054	6,118,619	-	(4,931,209)	53,007,464
Community	1,219,071	-	-	(97,753)	1,121,318
Capital work in progress	85,049,061	2,286,966	(6,950,061)	-	80,385,966
Other	8,330,246	7,643,850	67,385	(2,746,827)	13,294,654
	168,253,979	**16,998,357**	**(6,913,752)**	**(8,526,267)**	**169,812,317**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land	2,141,801	-	-	2,141,801
Buildings	18,853,164	1,593,880	(753,298)	19,693,746
Infrastructure	48,064,153	8,833,422	(5,077,521)	51,820,054
Community	1,316,824	-	(97,753)	1,219,071
Capital work in progress	56,593,352	28,455,709	-	85,049,061
Other	8,355,198	2,939,488	(2,964,440)	8,330,246
	135,324,492	**41,822,499**	**(8,893,012)**	**168,253,979**

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.

5. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	805,256	(328,825)	476,431	517,660	(251,085)	266,575

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software	266,575	287,596	(77,740)	476,431

Notes to the Annual Financial Statements

	2011 R	2010 R

5. Intangible assets (continued)

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	316,300	24,811	(74,536)	266,575

6. Retirement benefits

Defined benefit plan

The municipality does not have a defined benefit plan. All employees contribute to the defined contribution fund as described below.

Post retirement medical aid plan

The municipality operates an optional post retirement medical aid plan. The main terms of the plan are that the official should reach retirement age whilst working for the municipality, upon which s/he can retire. After retirement, the former employee pays a portion of the medical aid contribution (currently 1/3 of the monthly contribution) and the municpality pays the balance. The former employee pays such amounts to the municipality, which in turn pays the full contribution to the medical aid scheme.

As at 30 June 2011, the municpality's obligation had not yet been valued by an independent acturialist. This will be done in the ensuing period. As such no obligation or provision has been made in the financial statements.

7. Inventories

Game animals for sale (transfer from Non-current Assets)	-	206,154
Water	86,691	100,206
	86,691	**306,360**

7.1 Non - Financial information - Quantities of each agricultural produce

Blesbuck	-	10
Gemsbuck	-	5
Red Hartebeest	-	18
Blue Wildebeest	-	12
Impala	-	33
Springbruck	-	27
Eland	-	2
Waterbuck	-	6
	-	**113**

Carrying value of inventories carried at fair value less costs to sell	-	206,154

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, on initial adoption of GRAP 101, game animals (biological assets) is not required to be restated. This has been adopted indirectly for inventories, as disclosed in the accounting policies. Further, land held for undetermined purposes has been recognised at provisional amounts. These will be valued in future so as to determine tha correct values. The exercise will be undertaken together with the asset management exercise as indicated under property, plant and equipment note.

8. Trade and other receivables from exchange transactions

Notes to the Annual Financial Statements

	2011 R	2010 R
8. Trade and other receivables from exchange transactions (continued)		
Deposits	140,000	140,000
Sundry debtors	5,294,614	3,630,320
Other debtors - revolving fund	(779,920)	-
Provision for bad debts (Other debtors)	(541,438)	(541,438)
	4,113,256	**3,228,882**

Notes to the Annual Financial Statements

	2011 R	2010 R

9. VAT receivable

VAT	7,150,762	9,159,810

10. Consumer debtors

Gross balances		
Rates	23,195,862	19,988,324
Electricity	33,488,714	20,546,307
Water	30,048,019	19,833,190
Sewerage	20,299,294	17,965,575
Refuse	20,831,906	17,872,680
Other	15,699,141	5,293,130
	143,562,936	**101,499,206**
Less: Provision for debt impairment		
Rates	(15,323,148)	(12,297,060)
Electricity	(15,363,181)	(10,913,889)
Water	(18,759,448)	(13,200,294)
Sewerage	(14,066,967)	(12,994,564)
Refuse	(14,402,189)	(12,790,164)
Other	(15,125,054)	(4,031,486)
	(93,039,987)	**(66,227,457)**
Net balance		
Rates	7,872,714	7,691,264
Electricity	18,125,533	9,632,418
Water	11,288,571	6,632,896
Sewerage	6,232,327	4,971,011
Refuse	6,429,717	5,082,516
Other	574,087	1,261,644
	50,522,949	**35,271,749**
Rates		
Current (0 -30 days)	2,764,569	2,467,314
31 - 60 days	739,728	1,215,258
61 - 90 days	484,190	812,458
91 - 120 days	288,595	533,330
>121 days	3,595,632	2,662,904
	7,872,714	**7,691,264**
Electricity		
Current (0 -30 days)	11,037,573	3,906,729
31 - 60 days	1,557,816	2,188,810
61 - 90 days	1,097,952	825,823
91 - 120 days	1,394,803	411,235
>121 days	3,037,389	2,299,821
	18,125,533	**9,632,418**
Water		
Current (0 -30 days)	4,410,401	2,063,740
31 - 60 days	384,752	751,828
61 - 90 days	1,444,159	459,990
91 - 120 days	998,618	289,470

Notes to the Annual Financial Statements

	2011 R	2010 R
10. Consumer debtors (continued)		
>121 days	4,050,641	3,067,868
	11,288,571	**6,632,896**
Sewerage		
Current (0 -30 days)	1,786,348	868,026
31 - 60 days	524,050	497,090
61 - 90 days	359,058	319,037
91 - 120 days	221,961	195,934
>121 days	3,340,910	3,090,924
	6,232,327	**4,971,011**
Refuse		
Current (0 -30 days)	1,863,913	960,930
31 - 60 days	542,768	539,725
61 - 90 days	374,718	342,323
91 - 120 days	230,635	212,452
>121 days	3,417,683	3,027,086
	6,429,717	**5,082,516**
Other		
Current (0 -30 days)	(3,442,778)	124,222
31 - 60 days	126,099	66,506
61 - 90 days	59,407	56,967
91 - 120 days	108,604	31,567
>121 days	3,722,755	982,382
	574,087	**1,261,644**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(66,227,457)	(49,235,268)
Contributions to provision	(26,812,530)	(16,992,189)
	(93,039,987)	**(66,227,457)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,937	9,937
Bank balances	9,370,560	-
Bank overdraft	-	(3,334,741)
	9,380,497	**(3,324,804)**
Current assets	9,380,497	9,937
Current liabilities	-	(3,334,741)
	9,380,497	**(3,324,804)**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2011	June 30, 2010		June 30, 2011	June 30, 2010	
Absa BANK - Account Type - Current Account	1,423,051	3,086,486	-	9,370,560	(3,334,741)	-

Notes to the Annual Financial Statements

					2011 R	2010 R
11. Cash and cash equivalents (continued)						
FNB BANK - Account Type - Current Account	800,651	4,196,139	-	-	-	-
Total	**2,223,702**	**7,282,625**	**-**	**9,370,560**	**(3,334,741)**	**-**

12. Housing Development Fund

	2011 R	2010 R
Opening Balance	1,720,256	(3,052,352)
Receipts for the year	-	27,869,756
Expenditure to date (conditions met)	(1,720,256)	(23,097,148)
	-	**1,720,256**

13. Government grant reserve

	2011 R	2010 R
Opening Balance	93,075,918	58,042,424
Asset Acquired	7,493,340	35,081,797
Depreciation	(8,415,213)	(48,303)
	92,154,045	**93,075,918**

14. Donations and public contributions

	2011 R	2010 R
Opening balance	225,720	-
Assets Acquired	4,801,640	237,600
Depreciation	(47,520)	(11,880)
	4,979,840	**225,720**

15. Other Interest Bearing liabilities

	2011 R	2010 R
Held at amortised cost		
Interest Bearing Debt - Short Term Portion	46,370,380	48,033,403
Some of these loans are overdue as they have exceeded the repayment date. The maximum remaining repayment period of these loans is 20 years. The loans accrue interest at varying rates, ranging from 9.5% to 17%. However, with DBSA loans, the loan portion in arreas accrues interest at rate ranging between 9.5% and 18% per annum. The loan portion amounting to R341,691.67 (2009: R811,648) financed vehicles. The loan is therefore secured by the vehicles.		
Interest Bearing Debt - Long Term Portion	15,899,146	16,539,468
Terms and conditions of these loan are as detailed above.		
	62,269,526	**64,572,871**
Non-current liabilities		
At amortised cost	15,899,146	16,539,468
Current liabilities		
At amortised cost	46,370,380	48,033,403
	62,269,526	**64,572,871**
Fair value of the financial liabilities carried at amortised cost		
Bank loans	62,269,526	64,914,561

Notes to the Annual Financial Statements

	2011 R	2010 R

16. Finance lease obligation

Minimum lease payments due		
- within one year	516,942	796,551
- in second to fifth year inclusive	-	380,451
	516,942	1,177,002
less: future finance charges	-	(99,252)
Present value of minimum lease payments	**516,942**	**1,077,750**
Present value of minimum lease payments due		
- within one year	516,942	710,273
- in second to fifth year inclusive	-	367,478
	516,942	**1,077,751**
Non-current liabilities	-	367,478
Current liabilities	516,942	710,273
	516,942	**1,077,751**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 15% (2010: 15%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments (subject to changes in the ledning rates) and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Market risk

The carrying amounts of all the finance lease liabilities are denominated South African Rand.

For details of liquidity risk refer to note .

The fair value of finance lease liabilities approximates their carrying amounts.

17. Unspent conditional grants (receipts)

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipai Infrastructure Grant (MIG)	6,067,111	1,082,906
Financial Management Grant (FMG)	658,265	4,550
Intergrated National Electrification Programme (INEP)	3,557,777	5,523,138
	10,283,153	**6,610,594**

Movement during the year

Balance at the beginning of the year	6,610,594	1,099,147
Additions during the year	3,672,559	24,348,909
Income recognition during the year	-	(18,837,462)
	10,283,153	**6,610,594**

See note for reconciliation and details/conditions of grants from National/Provincial Government.

Notes to the Annual Financial Statements

	2011 R	2010 R

17. Unspent conditional grants (receipts) (continued)

These amounts are invested in a ring-fenced investment until utilised.

18. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	607,494	24,456	(374,579)	257,371

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	1,816,048	1,816,048	(3,024,602)	607,494

The landfill site provision represents management's best estimate of the municipality's liability. The provision is based on a quotation provided under a competitive bid by reputable and experienced proffesionals in the field of rehabilitating dumping sites.

19. Trade and other payables from exchange transactions

Trade payables	76,921,395	50,655,540
Unallocated receipts	12,160,726	9,075,612
Accruals	30,711,494	22,364,459
Accrued leave pay	4,802,474	5,327,431
Deposits - other	133,547	-
Other payables	(3,739,629)	-
Land sales	(736,644)	-
	120,253,363	**87,423,042**

20. Consumer deposits

Service charges	3,274,255	3,100,263

21. Service charges

Sale of electricity	59,244,525	45,785,159
Sale of water	22,116,324	21,429,868
Sewerage and sanitation charges	12,449,387	12,156,011
Refuse removal	13,601,049	12,996,567
	107,411,285	**92,367,605**

Notes to the Annual Financial Statements

	2011 R	2010 R

22. Government grants and subsidies

Equitable share	26,404,640	19,322,870
Municipal Infrastructure Grant (MIG)	4,856,790	12,419,240
Municipal Systems Infrastructure Grant (MSIG)	750,000	735,000
Financial Management Grant (FMG)	596,285	745,451
Department of Arts, Sports and Culture	460,000	460,000
Intergrated National Electricity Programme (INEP)	2,108,367	4,476,862
Housing Development Grant	1,720,256	23,097,147
L. G. Support Grant	-	450,000
	36,896,338	**61,706,570**

Equitable Share

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 R 298 (2010: R -), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	1,082,906	1,099,146
Current-year receipts	9,984,000	12,403,000
Conditions met - transferred to revenue	(4,999,795)	(12,419,240)
	6,067,111	**1,082,906**

This grant was used to finance infrastructure related projects (included in property, plant and equipment).

No grant was withheld during the year.

Municipal Sytems Improvement Grant (MSIG)

Current-year receipts	750,000	735,000
Conditions met - transferred to revenue	(750,000)	(735,000)
	-	**-**

The grant is mainly used to assist municipalities in building an in-house capacity to perform their function and stabilise institutional governance system, improve municpal audit outcomes, stregthen the ward participation system in local government and supporting implenetation of MPRA.

No grant was with held.

Finance Management Grant (FMG)

Balance unspent at beginning of year	4,550	-
Current-year receipts	1,250,000	750,000
Conditions met - transferred to revenue	(596,285)	(745,450)
	658,265	**4,550**

The grant is mainly used for promoting and supporting reforms in financial management by building capacity in municpalities to implement the MFMA and improve progressive financial reporting for municipalities.

Sports, Arts and Culture

Current-year receipts	460,000	460,000
Conditions met - transferred to revenue	(460,000)	(460,000)

Notes to the Annual Financial Statements

	2011 R	2010 R

22. Government grants and subsidies (continued)

	-	**-**

This was mainly for assiting the municpality in improving service delivery in municipal libraries such capacitating them with human capital and hardware.

Integrated National electrification Programme (INEP)

Balance unspent at beginning of year	5,523,138	-
Current-year receipts	-	10,000,000
Conditions met - transferred to revenue	(1,965,361)	(4,476,862)
	3,557,777	**5,523,138**

The main purpose of the grant is to reduce the backlog of unelectrified household and to fund bulky infrastructure to ensure constant supply of electricity. Conditions still to be met - remain liabilities (see note 17)

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming financial years.

23. Public contributions and donations

Dr. Ruth Momphati District Municipality	4,801,640	237,600

Notes to the Annual Financial Statements

	2011 R	2010 R

24. General expenses

Advertising	114,838	3,227,245
Affiliation fees	399,682	227,917
Auditors remuneration	1,607,750	1,816,935
Bank charges	516,589	669,131
Valuation roll	190,527	1,318,714
Disaster Management	20,520	82,787
Chemicals	89,426	464,600
Civil entertainment	161,595	181,739
Cleaning	1,742	-
Computer expenses	3,005	227,934
Consulting and professional fees	8,791,963	8,119,668
Consumables	156,864	439,499
Indigent Subsidy	1,929,983	3,665,058
Debt collection	6,082,194	476,431
Donations	-	845
Electricity	220,838	220,502
Entertainment	23,541	110,793
Entertainment - Mayor/Speaker	1,228	8,616
Meter readings costs	304,629	235,038
Fleet	1,659	2,556
Estimated Cost to sell	-	22,906
Motor vehicle expenses	44,967	55,542
Insurance	517,091	528,513
Lease rentals on operating lease	153,170	964,467
Other expenses	168,731	175,427
Pensioners medical aid	36,678	19,802
Mayoral awards	-	48,080
Postage and courier	575,750	643,920
Printing and stationery	611,494	3,840
Protective clothing	146,022	158,721
Research and development costs	-	91,802
Royalties and license fees	161,106	12,344
Security (Guarding of municipal property)	391,892	286,474
Staff welfare	-	4,500
Telephone and fax	850,262	1,761,947
Training	269,265	325,804
Travel - local	330,405	441,993
Uniforms	5,403	133,446
Stipends: Ward Committee Members	355,037	465,986
	25,235,846	**27,641,522**

Notes to the Annual Financial Statements

	2011 R	2010 R

25. Employee related costs

13th Cheques	3,489,824	3,129,614
Basic	37,910,168	39,123,633
Bonus	-	21,489
Car allowance	2,809,417	2,390,622
Group life insurance	153,239	163,577
Housing benefits and allowances	214,886	-
Housing subsidy & allowance	87,658	393,311
Industrial council contribution	14,641	12,772
Long-service awards	555,935	618,799
Medical aid - company contributions	3,475,909	3,354,695
Overtime payments	5,706,818	4,159,421
Post-employment benefits - Pension - Defined contribution plan	7,447,854	6,754,379
SDL	548,330	512,029
Standby allowance	52,544	-
Telephone allowance	79,908	67,897
Travel, motor car, accommodation, subsistence and other allowances	557,527	320,332
UIF	465,715	437,658
	63,570,373	**61,460,228**

Remuneration of municipal manager

Annual Remuneration	689,616	637,905
Allowance	335,775	262,465
Contributions to UIF, Medical and Pension Funds	9,971	2,876
Other	-	8,151
	1,035,362	**911,397**

Remuneration of chief finance officer

Annual Remuneration	411,571	207,868
Allowances	277,432	107,472
Contributions to UIF, Medical and Pension Funds	217,715	94,550
Other	-	2,827
	906,718	**412,717**

Remuneration of infrastructure & facilities manager

Annual Remuneration	602,550	431,057
Allowances	132,263	97,980
Contributions to UIF, Medical and Pension Funds	-	2,246
Other	8,303	4,957
	743,116	**536,240**

Remuneration of corporate services & administration manager

Annual Remuneration	437,075	488,915
Allowances	213,603	130,577
Contributions to UIF, Medical and Pension Funds	235,745	203,427
Other	-	6,444
	886,423	**829,363**

Remuneration of support services manager

Notes to the Annual Financial Statements

	2011 R	2010 R

25. Employee related costs (continued)

Annual Remuneration	325,030	398,198
Allowances	260,813	193,272
Contributions to UIF, Medical and Pension Funds	182,932	158,153
Other	-	5,431
	768,775	**755,054**

remuneration for community services manager

Annual Remuneration	398,155	442,390
Allowances	236,552	176,400
Contributions to UIF, Medical and Pension Funds	154,783	131,362
Other	-	5,184
	789,490	**755,336**

26. Remuneration of councillors

Executive Major	610,803	572,498
Mayoral Committee Members	786,456	719,279
Speaker	211,725	255,846
Councillors	2,775,415	2,160,337
	4,384,399	**3,707,960**

In-kind benefits

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

The Executive Mayor has the use of a Council owned vehicle with one driver for official duties.

27. Depreciation and amortisation

Property, plant and equipment	8,462,733	8,881,550

28. Finance costs

Non-current borrowings	7,784,325	2,081,072
Trade and other payables	2,823,890	1,251,104
Other interest paid	(172,766)	6,319,613
	10,435,449	**9,651,789**

29. Auditors' remuneration

Fees	1,607,750	1,816,935

30. Rental of facilities and equipment

Premises		
Premises	388,759	348,568
Theatre hire	11,340	8,539
	400,099	**357,107**

Notes to the Annual Financial Statements

	2011 R	2010 R
30. Rental of facilities and equipment (continued)		
Facilities and equipment		
Rental of facilities	365,113	409,575
Rental of equipment	14,885	17,538
	379,998	**427,113**
	780,097	**784,220**

31. Bulk purchases

Electricity	38,985,192	29,807,697
Water	6,800,634	4,758,855
	45,785,826	**34,566,552**

Notes to the Annual Financial Statements

	2011 R	2010 R

32. Cash generated from operations

Deficit	(10,594,768)	(34,342,356)
Adjustments for:		
Depreciation and amortisation	8,462,733	8,881,550
Loss on sale of assets and liabilities	-	(300)
Vaal Water related transaction	(6,787,120)	(26,830,053)
Debt impairment	26,812,530	69,126,391
Movements in provisions	350,123	(1,399,234)
Changes in working capital:		
Trade and other receivables from exchange transactions	(884,374)	(16,970)
Consumer debtors	(15,251,200)	(11,142,136)
Trade and other payables from exchange transactions	32,830,321	7,905,683
VAT	2,009,048	(5,738,011)
Unspent conditional grants (receipts)	3,672,559	5,511,447
Consumer deposits	173,992	144,613
Increase in money market investments	1,837,703	4,694,318
Non-cashflow items	(14,628,091)	16,349,698
	28,003,456	**33,144,640**

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	18,548,130	3,660,111
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	34,139,355	82,699,214

This committed expenditure relates to property, plant and equipment and will be financed by available bank facilities, retained surpluses, grants form both national and provincial government, assistance from the district municipality, existing cash resources and funds internally generated.

34. Contingencies

The municipality had outstanding legal cases of people claiming damages from the municipality. The total claims and costs associated with the claims amount to R7 650 322.19

35. Related parties

Related party transactions

Purchases from (sales to) related parties		
M C MOTLHABANG	1,738	-
J MUTYORUTA	1,738	-
CKS MATSHITSE	2,010	-
TA MOLALE	3,000	-
MC NDHLALA	32,280	-
LG SEBOKO	4,780	-

	2011 R	2010 R

36. 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 various measures to mitigate certain risk exposures. Risk management is carried out by a the district's shared audit unit under policies approved by the accounting officer. They identify, evaluate and recommends mitigating measures to reduce financial risks in close co-operation with the municipality's heads of units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as operational risk, interest rate risk, credit risk, and investment of excess liquidity.

Liquidity risk

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

Cash flow forecasts are prepared and used as part of managing liquidity.

Risk related to game animals

The municipality is exposed to financial risks arising from changes in game animal prices and loss of the game animals through illegal activities like poaching. The municipality believes that they have more than reasoable control measures in place and does not anticipate that prices for game animals will decline significantly in the foreseeable future. The municipality performs game counts at least once a year and regularly reviews and improves its control measures to safeguard game animals. Further, it reviews its outlook for game animal prices regularly.

Interest rate risk

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

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain most of its borrowings in variable interest rate instruments. During 2011 and 2010, the municipality's borrowings at variable rate were denominated in the Rand.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluates, reviews and manages consumer debtos accounts on a regular basis. Where consumer debtors are not paying for the services rendered, the municipality's credit control policy is implemented. These measures ranges from disconnections to handing over of the consumer debtors to the municpal attorneys.

37. Going concern

The municipality's current liabilities exceeded its current assets by R106 238 696 (2010: R96 542 756), wrote off debtors amounting to R93 039 987 (2010 : R69 126 391), its accumulated loss increased marginally from R34 920 856 in 2010 to R41 028 370 and has been experiencing cash flow challenges. This led to a number of significant negative effects such as incurring interest at higher rates on most of its overdue accounts and growth in both the long term and short term interest bearing debt.

The foregoing situation poses greater doubt on the municipality's ability to realise its assets and discharge its liabilities in the normal course of business.

	2011 R	2010 R

37. Going concern (continued)

To mitigate this, the municipality has and is in the process of implementing recovery measures. These measures includes revising its costing system, developing and implementing revenue enhancement strategies as well as developing and implementing detailed structures for debt collection. This is so because the main causes of the challenges are huge debtors book, costing structures which does not even lead to a break even position, inadequacy of the equitable share, as per the DoRA and lack of refinement of some of the operating systems. It should be noted that the revenue enhancement strategy exercise has already commenced as the Provincial Department of Corporate Government and Traditional Affairs has already engaged consultants to assist the municipality in the development and implementation of revenue enhancement strategies. It should however be noted that the process is not expected to bear fruits within a short term period, as such projects take time to bear the desired results. Other measures are being implemented and most of them would have commenced by the end of the ensuing financial period.

38. Events after the reporting date

The Approval of 2011/2012 Budget.

- The municipality failed to adopt the budget for 2011/2012 before the start of the new financial year in terms of section 24 of MFMA, however the municipality ratified the error by approving the budget for 2011/2012 financial year on the 27 September 2011.

39. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	7,623,460	6,224,403

This mainly relates to interest and penalties on arreas on late payments for SARS, DBSA loan, eskom account and other payables. The late payments are due to the current cashflow challenges being experienced by the municipality. Council approved the condonment of the expenditure.

40. Leases (Effects of transitional provisions)

In accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework, the municipality need not comply with the standard on Leases, until such time as the measurement period in the transitional provision for any of the following Standards of GRAP have expire:

- Construction Contracts
- Inventories
- Investment Property
- Property Plant and Equipments
- Provisions, Contingent Liabilities and Contingent Assets
- Agriculture
- Intangible Assets

41. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net deficit per the statement of financial performance	(10,594,768)	(34,342,356)
Adjusted for the following differentials		
Depreciation	8,462,733	1,103,550
Bad debts	26,812,530	16,992,189
Accrued amounts	-	14,637,517
Estimated cost to sell	-	22,906
Provisions and accrued leave pay	199,787	7,204,611
Fair value adjustments	(1,095,426)	(1,095,426)
	(551,865)	-
Net surplus per approved budget	**23,232,991**	**4,522,991**

42. Additional disclosure in terms of Municipal Finance Management Act

Notes to the Annual Financial Statements

	2011 R	2010 R

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

Audit fees

Opening balance	3,586,993	2,411,774
Current year fees	1,200,000	2,071,475
Amount paid - current year	-	(896,256)
	4,786,993	**3,586,993**

PAYE and UIF

Current year	10,085,414	4,876,644

VAT

VAT receivable	7,150,762	9,159,810

VAT output payables and VAT input receivables are shown in note .

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 June 30, 2011:

June 30, 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
JM NCHOCHOBA	1,457	14,004	15,461
DP MATOBO	750	14,438	15,188
ST MODISE	1,045	12,250	13,295
BP BARENG	1,253	7,542	8,795
MC PRETORIOUS	657	7,733	8,390
MJ MATHIBA	1,072	4,927	5,999
ML THEKISHO	476	4,533	5,009
OJ BAREKI	771	1,836	2,607
MG KEGAKILWE	-	1,211	1,211
EP RENOOSTER	-	441	441
CJ GROEP	-	391	391
JA ADONIS	-	126	126
	7,481	**69,432**	**76,913**

43. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	62,269,526	64,572,871
Used to finance property, plant and equipment	(62,269,526)	(64,572,871)
	-	**-**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Notes to the Annual Financial Statements

	2011 R	2010 R

44. 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 council and includes a note to the annual financial statements .J

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT THURSDAY, JUNE 30, 2011

	Loan Number	Balance at Wednesday, June 30, 2010 Rand	Interest Charged Rand	Redeemed written off during the period Rand	Balance at Thursday, June 30, 2011 Rand
LOAN STOCK		-	-	-	-
STRUCTURED LOANS		-	-	-	-
FUNDING FACILITY		-	-	-	-
DEVELOPMENT BANK OF SOUTH AFRICA					
	12885/101	33,905	4,311	24,768	13,448
	13082/101	6,911,412	896,776	3,084,498	4,723,690
	13083/101	2,384,436	439,879	185,477	2,638,838
	13084/101	2,086,654	408,185	-	2,494,839
	13085/101	201,245	23,523	110,820	113,948
	13086/101	134,683	26,346	-	161,029
	13087/101	1,953,906	382,217	-	2,336,123
	13390/101	9,534,777	997,896	2,214,237	8,318,436
	13390/201	964,009	61,144	446,058	579,095
	13391/101	1,081,248	64,515	559,174	586,589
	13392/101	2,636,809	223,862	1,154,764	1,705,907
	13393/101	2,783,815	335,985	-	3,119,800
	13604/101	17,201,123	2,032,824	-	19,233,947
	13604/103	8,353,347	1,037,335	-	9,390,682
	09999/102	7,054,971	621,243	1,340,001	6,336,213
		63,316,340	**7,556,041**	**9,119,797**	**61,752,584**
BONDS		-	-	-	-
OTHER LOANS					
	NALEI 00 0001	1,256,532	144,446	1,400,978	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		1,256,532	**144,446**	**1,400,978**	**-**
LEASE LIABILITY					
ABSA LOAN		341,692	23,858	233,615	131,935

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT THURSDAY, JUNE 30, 2011

	Loan Number	Balance at Wednesday, June 30, 2010 Rand	Interest Charged Rand	Redeemed written off during the period Rand	Balance at Thursday, June 30, 2011 Rand
DEBIS FLEET		685,748	59,978	360,715	385,011
		-	-	-	-
		-	-	-	-
		-	-	-	-
		1,027,440	**83,836**	**594,330**	**516,946**
ANNUITY LOANS		**-**	**-**	**-**	**-**
GOVERNMENT LOANS		**-**	**-**	**-**	**-**
		-	**-**	**-**	**-**
		-	**-**	**-**	**-**
		-	**-**	**-**	**-**
		-	**-**	**-**	**-**
		-	**-**	**-**	**-**
TOTAL EXTERNAL LOANS					
LOAN STOCK		-	-	-	-
STRUCTURED LOANS		-	-	-	-
FUNDING FACILITY		-	-	-	-
DEVELOPMENT BANK OF SOUTH AFRICA		63,316,340	7,556,041	9,119,797	61,752,584
BONDS		-	-	-	-
OTHER LOANS		1,256,532	144,446	1,400,978	-
LEASE LIABILITY		1,027,440	83,836	594,330	516,946
ANNUITY LOANS		-	-	-	-
GOVERNMENT LOANS		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		65,600,312	**7,784,323**	**11,115,105**	**62,269,530**

Supplementary Information

Appendix B: Analysis of property, plant and equipment

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation				Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Land and buildings										
Land (Separate for AFS purposes)	2,141,801	-	-	**2,141,801**	-	-	-	-	**-**	2,141,801
Work in Progress	76,854,008	2,286,965	(6,950,061)	**72,190,912**	-	-	-	-	**-**	72,190,912
Buildings (Separate for AFS purposes)	36,045,775	948,922	-	**36,994,697**	(16,352,029)	-	(31,076)	(750,478)	**(17,133,583)**	19,861,114
	115,041,584	**3,235,887**	**(6,950,061)**	**111,327,410**	**(16,352,029)**	**-**	**(31,076)**	**(750,478)**	**(17,133,583)**	**94,193,827**
Infrastructure										
Roads, Pavements & Bridges	36,086,509	3,127,567	-	**39,214,076**	(23,572,173)	-	-	(2,054,595)	**(25,626,768)**	13,587,308
Security and fencing	1,258,849	2,851	-	**1,261,700**	(1,052,023)	-	-	(106,334)	**(1,158,357)**	103,343
Water and Sewerage & Reticulation	70,038,902	716,359	-	**70,755,261**	(45,708,811)	-	-	(2,170,676)	**(47,879,487)**	22,875,774
Street lighting	6,514,561	175,952	-	**6,690,513**	(738,528)	-	-	(206,664)	**(945,192)**	5,745,321
Dams & Reservoirs	5,985,436	-	-	**5,985,436**	(3,344,675)	-	-	(210,879)	**(3,555,554)**	2,429,882
Traffic Lights	139,787	33,994	-	**173,781**	(24,519)	-	-	(7,073)	**(31,592)**	142,189
Transmission and Electrical infrastructure	6,871,239	2,061,896	-	**8,933,135**	(634,499)	-	-	(174,988)	**(809,487)**	8,123,648
Work in Progress	8,195,053	-	-	**8,195,053**	-	-	-	-	**-**	8,195,053
	135,090,336	**6,118,619**	**-**	**141,208,955**	**(75,075,228)**	**-**	**-**	**(4,931,209)**	**(80,006,437)**	**61,202,518**
Community Assets										
Parks & gardens	887,790	-	-	**887,790**	(828,841)	-	-	(3,120)	**(831,961)**	55,829
Sportsfields and stadium	1,968,446	-	-	**1,968,446**	(942,997)	-	-	(79,214)	**(1,022,211)**	946,235
Swimming pools	442,115	-	-	**442,115**	(360,929)	-	-	(9,416)	**(370,345)**	71,770
Other	120,063	-	-	**120,063**	(66,577)	-	-	(6,003)	**(72,580)**	47,483
	3,418,414	**-**	**-**	**3,418,414**	**(2,199,344)**	**-**	**-**	**(97,753)**	**(2,297,097)**	**1,121,317**
Heritage assets										
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Specialised vehicles										
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other assets										
General vehicles	10,730,074	2,186,016	67,385	**12,983,475**	(8,163,173)	-	-	(872,141)	**(9,035,314)**	3,948,161
Plant & equipment	1,061,235	359,674	-	**1,420,909**	(765,733)	-	-	(55,942)	**(821,675)**	599,234
Computer Equipment	4,104,483	167,427	-	**4,271,910**	(2,853,236)	-	-	(688,067)	**(3,541,303)**	730,607
Furniture & Fittings	554,923	44,231	-	**599,154**	(131,949)	-	-	(39,282)	**(171,231)**	427,923
Office Equipment	4,591,090	84,862	-	**4,675,952**	(2,930,483)	-	-	(623,947)	**(3,554,430)**	1,121,522
Emergency Equipment	1,250,117	4,801,640	-	**6,051,757**	(355,513)	-	-	(208,657)	**(564,170)**	5,487,587
Bins and Containers	1,785,353	-	-	**1,785,353**	(546,941)	-	-	(258,791)	**(805,732)**	979,621
Work in progress	-	-	-	**-**	-	-	-	-	**-**	-
Other	-	-	-	**-**	-	-	-	-	**-**	-
Other Assets - Leased	-	-	-	**-**	-	-	-	-	**-**	-
	24,077,275	**7,643,850**	**67,385**	**31,788,510**	**(15,747,028)**	**-**	**-**	**(2,746,827)**	**(18,493,855)**	**13,294,655**

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation				Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment										
Land and buildings	115,041,584	3,235,887	(6,950,061)	**111,327,410**	(16,352,029)	-	(31,076)	(750,478)	**(17,133,583)**	94,193,827
Infrastructure	135,090,336	6,118,619	-	**141,208,955**	(75,075,228)	-	-	(4,931,209)	**(80,006,437)**	61,202,518
Community Assets	3,418,414	-	-	**3,418,414**	(2,199,344)	-	-	(97,753)	**(2,297,097)**	1,121,317
Other assets	24,077,275	7,643,850	67,385	**31,788,510**	(15,747,028)	-	-	(2,746,827)	**(18,493,855)**	13,294,655
	277,627,609	**16,998,356**	**(6,882,676)**	**287,743,289**	**(109,373,629)**	**-**	**(31,076)**	**(8,526,267)**	**(117,930,972)**	**169,812,317**
Agricultural/Biological assets										
Biological assets	4,080,322	779,640	206,154	**5,066,116**	-	(227,775)	-	-	**(227,775)**	4,838,341
	4,080,322	**779,640**	**206,154**	**5,066,116**	**-**	**(227,775)**	**-**	**-**	**(227,775)**	**4,838,341**
Intangible assets										
Computers - software & programming	517,659	287,596	-	**805,255**	(251,085)	-	-	(77,740)	**(328,825)**	476,430
	517,659	**287,596**	**-**	**805,255**	**(251,085)**	**-**	**-**	**(77,740)**	**(328,825)**	**476,430**
Investment properties										
Investment property	3,116,268	-	-	**3,116,268**	-	-	-	-	**-**	3,116,268
	3,116,268	**-**	**-**	**3,116,268**	**-**	**-**	**-**	**-**	**-**	**3,116,268**
	-	-	-	**-**	-	-	-	-	**-**	-
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	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total										
Land and buildings	115,041,584	3,235,887	(6,950,061)	**111,327,410**	(16,352,029)	-	(31,076)	(750,478)	**(17,133,583)**	94,193,827
Infrastructure	135,090,336	6,118,619	-	**141,208,955**	(75,075,228)	-	-	(4,931,209)	**(80,006,437)**	61,202,518
Community Assets	3,418,414	-	-	**3,418,414**	(2,199,344)	-	-	(97,753)	**(2,297,097)**	1,121,317
Heritage assets	-	-	-	**-**	-	-	-	-	**-**	-
Specialised vehicles	-	-	-	**-**	-	-	-	-	**-**	-
Other assets	24,077,275	7,643,850	67,385	**31,788,510**	(15,747,028)	-	-	(2,746,827)	**(18,493,855)**	13,294,655
	-	-	-	**-**	-	-	-	-	**-**	-
Agricultural/Biological assets	4,080,322	779,640	206,154	**5,066,116**	-	(227,775)	-	-	**(227,775)**	4,838,341
Intangible assets	517,659	287,596	-	**805,255**	(251,085)	-	-	(77,740)	**(328,825)**	476,430

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost/Revaluation				Accumulated depreciation					
	Opening Balance Rand	Additions Rand	Transfers Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Investment properties	3,116,268	-	-	**3,116,268**	-	-	-	-	-	3,116,268
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	285,341,858	**18,065,592**	**(6,676,522)**	**296,730,928**	**(109,624,714)**	**(227,775)**	**(31,076)**	**(8,604,007)**	**(118,487,572)**	**178,243,356**

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

							Accumulated Depreciation		
	Opening Balance Rand	**Additions Rand**	**Transfers Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Transfers Rand**	**Depreciation Rand**	**Closing Balance Rand**	**Carrying value Rand**
Municipality									
Municipal Manager, Executive & Council	2,043,637	36,271	-	**2,079,908**	(1,749,183)	-	(93,407)	**(1,842,590)**	237,318
Finance & Admin/Finance	5,851,147	58,765	-	**5,909,912**	(3,443,341)	-	(1,256,893)	**(4,700,234)**	1,209,678
Corporate, Admin & HR	21,232,450	404,006	-	**21,636,456**	(14,346,656)	-	(536,443)	**(14,883,099)**	6,753,357
Municipal Health/Clinics	10,853,564	-	-	**10,853,564**	(5,127,612)	-	(705,435)	**(5,833,047)**	5,020,517
Public Safety/Police	36,317,695	6,910,482	-	**43,228,177**	(3,246,716)	-	(720,140)	**(3,966,856)**	39,261,321
Technical Service	196,961,627	9,866,145	(6,882,676)	**199,945,096**	(75,207,026)	(31,076)	4,739,690	**(70,498,412)**	129,446,684
Stella	12,081,738	10,284	-	**12,092,022**	(6,504,180)	-	(551,999)	**(7,056,179)**	5,035,843
	285,341,858	**17,285,953**	**(6,882,676)**	**295,745,135**	**(109,624,714)**	**(31,076)**	**875,373**	**(108,780,417)**	**186,964,718**
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SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

								Accumulated Depreciation	
	Opening Balance Rand	**Additions Rand**	**Transfers Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Transfers Rand**	**Depreciation Rand**	**Closing Balance Rand**	**Carrying value Rand**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	-	-	**-**	-	-	-	**-**	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total									
Municipality	285,341,858	17,285,953	(6,882,676)	**295,745,135**	(109,624,714)	(31,076)	875,373	**(108,780,417)**	186,964,718
	285,341,858	**17,285,953**	**(6,882,676)**	**295,745,135**	**(109,624,714)**	**(31,076)**	**875,373**	**(108,780,417)**	**186,964,718**

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Land and buildings					
Buildings (Separate for AFS purposes)	3,235,887	8,401,242	5,165,355	**61**	
	3,235,887	**8,401,242**	**5,165,355**	**61**	
Infrastructure					
Roads, Pavements & Bridges	3,127,567	4,500,000	1,372,433	**30**	
Security and Fencing	2,851	-	(2,851)	**-**	
Water and Sewerege Reticulation	716,359	377,550	(338,809)	**(90)**	
Street lighting	209,946	387,296	177,350	**46**	
Transmission and Electrical Infrastructure	2,061,896	4,545,000	2,483,104	**55**	
	6,118,619	**9,809,846**	**3,691,227**	**38**	
Community Assets	**-**	**-**	**-**	**-**	
Heritage assets	**-**	**-**	**-**	**-**	
Specialised vehicles	**-**	**-**	**-**	**-**	
Other assets					
General vehicles	2,186,016	1,000,000	(1,186,016)	**(119)**	
Plant & equipment	359,674	350,000	(9,674)	**(3)**	
Computer Equipment	167,427	139,000	(28,427)	**(20)**	
Furniture & Fittings	44,231	1,048,439	1,004,208	**96**	
Office Equipment	84,861	1,000,000	915,139	**92**	
Emegency Equipment	4,801,640	-	(4,801,640)	**-**	
Bins and Containers	-	1,050,000	1,050,000	**100**	
	7,643,849	**4,587,439**	**(3,056,410)**	**(67)**	
Agricultural/Biological assets	**-**	**-**	**-**	**-**	
Intangible assets					
Computers - software & programming	287,596	1,350,000	1,062,404	**79**	
	287,596	**1,350,000**	**1,062,404**	**79**	
Investment properties					
Investment property	-	-	-	**-**	
	-	**-**	**-**	**-**	
Total					
Land and buildings	3,235,887	8,401,242	5,165,355	**61**	
Infrastructure	6,118,619	9,809,846	3,691,227	**38**	
Community Assets	-	-	-	**-**	
Heritage assets	-	-	-	**-**	
Specialised vehicles	-	-	-	**-**	
Other assets	7,643,849	4,587,439	(3,056,410)	**(67)**	
	-	-	-	**-**	
Intangible assets	287,596	1,350,000	1,062,404	**79**	

BUDGET ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Investment properties	-	-	-	-	
	17,285,951	**24,148,527**	**6,862,576**	**28**	

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

APPENDIX F for the ended Thursday, June 30, 2011

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

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Jul	Oct	Jan	Apr	Jul	Oct	Jan	Apr	Yes/ No
MSIG	NALEDI	750,000	-	-	-	147,680	347,377	81,664	173,279	Yes
SPORTS GRANT	NALEDI	460,000	-	-	-	210,270	201,176	48,554	-	Yes
HOUSING GRANT	NALEDI	-	-	-	-	-	207,879	2,191,920	207,341	Yes
MIG	NALEDI	4,000,000	2,000,000	3,984,000	-	2,001,101	484,789	1,418,936	951,964	Yes
FMG		1,250,000	-	-	-	242,968	165,730	88,917	98,670	Yes
INEP		-	-	-	-	-	-	-	1,965,361	
		-	-	-	-	-	-	-	-	
		6,460,000	2,000,000	3,984,000	-	2,602,019	1,406,951	3,829,991	3,396,615	