Dr Kenneth Kaunda District Municipality
Annual Financial Statements
for the year ended 30 June 2011

General Information

Legal form of entity	1
	1
Mayoral committee	1
Executive Mayor	Councillor B E Moloi (Ms)
Speaker	a
	a
Councillors	a
	a
	a
	a
	a
	a
	a
	a

General Information

Grading of local authority	Grade 4: Determination of Upper Limits Grade 10: Bargaining Council	
Accounting Officer	Adv. MA DLAVANE B. Juris, LLB (TURFLOOP)	
Acting Chief Finance Officer (CFO)	MB DAFFUE MBL (UNISA)	
Accounting Officer	1	1
Registered office	Civic Centre Patmore Road ORKNEY 2620	
Business address	1 1 1 1 1	
Postal address	1 1 1 1 1	
Bankers	1 1	
Auditors	1 1	
Secretary	1	

General Information

Attorneys	1
	1

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Certification by Municipal Manager

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

I am responsible for the preparation of these Annual Financial Statements, which are set out on pages 6 to 71, in terms of Section 126(1) of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) and which I have half of the Municipality.

I certify that the salaries, allowances and benefits of councilors as disclosed in note 24 of these Annual Financial Statements are within the upper limits of the framework envisages in Section 219 of the constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, No 20 of 1998 and the Minister of Provincial and Local Government determination in accordance with this Act.

Accounting Officer

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in service delivery and operates principally in South Africa.

The operating results for the year were satisfactory. The financial position of the municipality is stable.

Net surplus of the municipality was R 9 846 502 (2010: profit R 36 622 120)..

2. Going concern

We draw attention to the fact that at 30 June 2011, the municipality's total assets exceeds its liabilities by R 175 253 309.

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. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Investments	6	161 037 645	146 189 163
Trade and other receivables from exchange transactions	11	5 088 775	1 106 793
VAT receivable	12	5 236 502	2 135 490
Cash and cash equivalents	13	15 656 839	9 513 564
		187 019 761	**158 945 010**
Non-Current Assets			
Biological assets	2	-	177 436
Property, plant and equipment	3	13 406 791	23 131 371
Intangible assets	4	452 409	946 191
		13 859 200	**24 254 998**
Non-current assets held for sale		319 082	-
Less: Impairment		(89 082)	-
Net: Non -current assets held for sale		**230 000**	**-**
Non-Current Assets		13 859 200	24 254 998
Current Assets		187 019 761	158 945 010
Non-current assets held for sale		230 000	
Total Assets		**201 108 961**	**183 200 008**
Liabilities			
Current Liabilities			
Finance lease obligation	16	121 380	-
Operating lease liability	9	472 665	1 276 677
Trade and other payables	20	18 899 014	9 599 590
Unspent conditional grants and receipts	17	2 541 627	3 240 482
Post Retirement Medical Aid benefit	10	61 104	87 600
Long Services defined Benefit Plan - Current portion	19	71 023	111 346
		22 166 813	**14 315 695**
Non-Current Liabilities			
Finance lease obligation	16	285 271	-
Post Retirement Medical Aid benefit	10	2 240 196	2 550 553
Long Service Awards	19	1 163 372	926 954
		3 688 839	**3 477 507**
Non-Current Liabilities		3 688 839	3 477 507
Current Liabilities		22 166 813	14 315 695
Liabilities of disposal groups		-	-
Total Liabilities		**25 855 652**	**17 793 202**
Assets		201 108 961	183 200 008
Liabilities		(25 855 652)	(17 793 202)
Net Assets		**175 253 309**	**165 406 806**
Net Assets			
Accumulated surplus	15	175 253 309	165 406 806
Total Net Assets		**175 253 309**	**165 406 806**

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Sale of flowers		-	481 891
Penalty (Contracts)		-	10 000
Government grants & subsidies	23	152 670 140	156 242 752
Other income		1 266 497	206 401
Interest received - investment	28	11 201 891	11 529 379
Dividends received	28	1 116	1 009
Total Revenue		**165 139 644**	**168 471 432**
Expenditure			
Personnel	26	(43 336 269)	(40 304 576)
Remuneration of councilors	27	(6 223 474)	(6 147 648)
Depreciation and amortisation	29	(2 484 060)	(1 986 772)
Finance costs	31	(25 113)	(5 194)
Debt impairment		(63 548)	(290 252)
Repairs and maintenance		(1 031 129)	(855 696)
Contracted services		(2 116 442)	(1 703 336)
Grants and subsidies paid	34	(67 187 366)	(61 363 653)
Loss on disposal of assets	34	-	(35 179)
Contributions to Leave Reserve		-	(387 108)
General Expenses	25	(23 421 237)	(18 001 575)
Total Expenditure		**(145 888 638)**	**(131 080 989)**
Gains (Loss) on write-off of assets		(9 404 504)	(35 179)
Loss on biological assets and agricultural produce		-	(733 144)
Surplus for the year		**9 846 502**	**36 622 120**

Statement of Changes in Net Assets

Figures in Rand	Accumulated Surplus / (Deficit)
Opening balance as previously reported	128 824 907
Adjustments	
Prior year adjustments	189 797
Balance at 01 July 2009 as restated	**129 014 705**
Changes in net assets	
Prior year adjustments	(57 823)
Transfer to grants(interest)	(172 194)
Net income (losses) recognised directly in net assets	(230 017)
Surplus for the year	36 622 120
Total recognised income and expenses for the year	36 392 101
Balance at 01 July 2010 as restated	**165 406 806**
Changes in net assets	
Surplus for the year	9 846 503
Total changes	9 846 503
Balance at 30 June 2011	**175 253 309**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		149 888 111	155 759 542
Interest income		11 201 891	11 529 379
Dividends received		1 116	1 009
		161 091 118	167 289 930
Payments			
Suppliers		(138 758 133)	(142 791 340)
Finance costs		(25 113)	(5 194)
		(138 783 246)	(142 796 534)
Total receipts		161 091 118	167 289 930
Total payments		(138 783 246)	(142 796 534)
Net cash flows from operating activities	35	**22 307 872**	**24 493 396**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 719 910)	(1 692 233)
Purchase of other intangible assets	4	(2 856)	(249 956)
Net movement in financial assets		(14 848 482)	(24 466 097)
Net cash flows from investing activities		**(16 571 248)**	**(26 408 286)**
Cash flows from financing activities			
New loans raised		406 651	-
Net cash flows from financing activities		**406 651**	**-**
Net increase/(decrease) in cash and cash equivalents		**6 143 275**	**(1 914 890)**
Cash and cash equivalents at the beginning of the year		9 513 564	11 428 454
Cash and cash equivalents at the end of the year	13	**15 656 839**	**9 513 564**

Accounting Policies

1.1. Basis of Presentation of Annual Financial Statements

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

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

Accounting Policies

2.1 Consolidation

Investment in associates

An associate is an entity over which the controlling entity has significant influence and which is neither a controlled entity nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with Standard of GRAP on Non-current Assets Held-For-Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the municipality's share of net assets of the associate, less any impairment losses.

Equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the municipality’s share of net assets of the investee. The surplus or deficit of the municipality includes the municipality’s share of the surplus or deficit of the investee.

The municipality’s share of the surplus or deficit of the investee is recognised in surplus or deficit.

Distributions received from an investee reduce the carrying amount of the investment.

The most recent available annual financial statements of the associate are used by the municipality in applying the equity method. When the reporting date's of the municipality and the associate are different, the associate prepares, for the use of the municipality, annual financial statements as of the same date as the annual financial statements of the municipality unless it is impractical to do so.

When the annual financial statements of an associate used in applying the equity method are prepared as of a different reporting date from that of the municipality, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the municipality’s annual financial statements. In any case, the difference between the reporting date of the associate and that of the municipality is more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

The municipality’s annual financial statements are prepared using uniform accounting policies for like transactions and events in similar circumstances.

Deficits in an associate in excess of the municipality's interest in that associate are recognised only to the extent that the municipality has incurred a legal or constructive obligation to make payments on behalf of the associate. If the associate subsequently reports surpluses, the municipality resumes recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in surplus or deficit.

Surpluses and deficits on transactions between the municipality and an associate are eliminated to the extent of the municipality's interest therein.

The controlling entity discontinues the use of the equity method from the date that it ceases to have significant influence over an associate and account for the investment in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement from that date, unless the associate becomes a controlled entity or a joint venture, in which case it is accounted for as such. The carrying amount of the investment at the date that it ceases to be an associate is regarded as its cost on initial measurement as a financial asset in accordance with the Standard of GRAP on Financial Instruments: Recognition and Measurement

2.1.1 Significant judgement and sources of estimation uncertainty

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

Significant judgement and sources of estimation uncertainty (continued)

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 each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Available-for-sale financial assets

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the statement of financial position date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management’s estimates.

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. 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. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates 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

Significant judgement and sources of estimation uncertainty (continued)

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

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.

Accounting Policies

2.2.1 Property, plant and equipment

Initial Recognition

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

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

Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, including for Infrastructure Assets, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Depreciation

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight line method, to allocate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are initially based on the following originally estimated useful lives and thereafter on the estimated remaining useful lives as at year-end.

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

Item	Average useful life
Buildings	30 Years

2.2.1 Property, plant and equipment (continued)

Furniture and fixtures	7-10 Years
Motor vehicles	5-7 Years
Office equipment	3-7 Years
IT equipment	3-5 Years

Accounting Policies

2.2.1 Property, plant and equipment (continued)

Depreciation only commences when the asset is available for use, unless stated otherwise.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate.

Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

Impairment of assets

Impairment of Cash generating assets

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

"An impairment of assets carried at revalued amount in reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset."

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
 - to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit..

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

Accounting Policies

2.2.1 Property, plant and equipment (continued)

Impairment of Non-Cash generating assets

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

If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount is the higher of a non-cash generating asset's fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the assets remaining service potential.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Transitional provision

The estimated useful lives and depreciation methods will be reviewed for the year ended 30 June 2011 and will be applied retrospectively where practicable.

2.2.2.1 Intangible assets

Initial Recognition

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

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually, in accordance with IPSAS 21/ IAS 36.
"Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up."

Subsequent Measurement, Amortisation and Impairment
After initial recognition, an intangible asset are carried at its cost less any accumulated amortisation and any accumulated impairment losses.

In terms of GRAP 102, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

Derecognition
Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is

Accounting Policies

2.2.2.1 Intangible assets (continued)
determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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

Item	**Useful life**
Computer software, other	3-5 Years

Transitional provision

Intangible assets recognised in terms of GRAP 102 have been presented for the financial year ended 30 June 2011 in accordance with the requirements of GRAP 102 and retrospectively measured in accordance with GRAP 3.

Accounting Policies

2.3.1 Investments in controlled entities

Initial measurement
An associate is an entity over which the municipality as the investor is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.
The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor’s share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor’s share of the associate’s surplus or deficit for the year

The municipality uses the most recent available financial statements of the associate in applying the equity method. The equity method involves recognising the investment initially at cost, then adjusting for any change in the investor’s share of net assets of the associate since it acquired it. A single line-item in the Statement of Financial Performance presents the investor’s share of the associate’s surplus or deficit for the year. The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/ (deficits) less any dividends received.

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

Where the municipality or its entities transact with an associate, unrealised gains and losses are eliminated to the extent of the Municipality's or its Municipal Entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred

Accounting Policies

2.4.1 Financial instruments

Classification

Financial Asset - Classification

A financial asset is any asset that is a cash or contractual right to receive cash.

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows into the four categories allowed by this standard:

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

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

- they are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial assets at fair value through profit and loss

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

- Investments in Fixed Deposits - Held-to-maturity investment
- Long-term Receivables - Loans and receivables
  Other Debtors - Loans and receivables
- Short-term Investment Deposits – Call - Available-for-sale financial assets
- Bank Balances and Cash - Available-for-sale financial assets

2.4.1 Financial instruments (continued)

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

Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

Finance lease obligations

Operating lease liability

Certain Other Payables (see note 20)

Employees medical aid benefits liability

Current Portion of Long-term Liabilities

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial liabilities may be measured at:

(i) Fair value through profit or loss; or

(ii) Other financial liabilities (Financial liabilities measured at amortised cost)

(iii) Financial guarantee contract

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives

Any other financial liabilities are classified as "Other financial liabilities" in accordance with IAS 39.09

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial recognition and measurement

Accounting Policies

2.4.1 Financial instruments (continued)

Financial Assets:

Held-to-maturity Investments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

"Loans and Receivables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis. .

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to group entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as loans and receivables."

Available-for-Sale Financial Assets are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the statement of financial performance.

Financial Liabilities:

Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at amortised cost
"Any other financial liabilities are classified as ""Other financial liabilities"" (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Bank borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the accrual basis and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.
"
Prepayments are carried at cost less any accumulated impairment losses.

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

"The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality transfers a financial asset if either it transfers the contractual rights to receive the cash flows of the

Accounting Policies

2.4.1 Financial instruments (continued)
financial asset or retains the contractual rights to receive the cash flows of the financial asset.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance."

Accounting Policies

2.4.1 Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Available-for-sale financial assets
"When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in net assets shall be removed and recognised in the Statement of Financial Performance even though the financial asset has not been derecognised.

The amount of the cumulative loss that is removed from net assets and recognised in the Statement of Financial Performance is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in Statement of Financial Performance." Impairment losses recognised in the Statement of Financial Performance for an investment in an equity instrument classified as available-for-sale are not reversed through the Statement of Financial Performance

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss is recognised in the Statement of Financial Performance, the impairment loss must be reversed, with the amount of the reversal recognised in the Statement of Financial Performance.

Financial assets carried at amortised cost

Accounts receivables encompasses long term debtors, consumer debtors and other debtors.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of accounts receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with IAS 39.64 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets carried at amortised cost with the exception of consumer debtors, where the carrying amount is reduced through the use of an allowance account. When a consumer debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

Accounting Policies

2.4.1 Financial instruments (continued)

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

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 uncollectable, 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 payables and borrowings

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.

Held to maturity

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

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

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

Financial liabilities and equity instruments

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

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

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

Accounting Policies

2.5.1 Leases

Lease Classification

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

The Municipality as Lessee

Finance leases

Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Municipality as Lessor

Amounts due from lessees under finance leases or installment sale agreements are recorded as receivables at the amount of the Municipality’s net investment in the leases. Finance lease or installment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality’s net investment outstanding in respect of the leases or installment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

Finance leases – lessee

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

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

The 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.

Accounting Policies

2.5.1 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.

2.5.2.1 Non-current assets held for sale (and) (disposal groups)

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

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

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

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

2.6.1 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 municipality treats its provision for leave as an accrual.

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

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

Defined contribution plans

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

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

Post employment health care benefits
The municipality provides post retirement health care benefits, 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. An annual charge to income is made to cover this liability.

Defined benefit plans

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

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

Consideration is given to any event that could impact the funds up to statement of financial position date where the interim valuation is performed at an earlier date.

Accounting Policies

2.6.1 Employee benefits (continued)

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

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

Other post retirement obligations

The entity provides post-retirement health care benefits upon retirement to some retirees.

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

2.7.1 GRAP 19: Provisions,Contingent liabilities and Assets

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.

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.

2.8.1 Revenue from exchange transactions

General

Revenue, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

Accounting Policies

2.8.1 Revenue from exchange transactions (continued)

Sale of goods

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

- The municipality has transferred to the buyer 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.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

"Interest earned on the following investments is not recognised in the Statement of Financial Performance:
- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder."

2.8.2.1 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 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 councilors or officials is virtually certain. Such revenue is based on legislated procedures.

Government grants

Equitable share allocations are recognised revenue at the start of the financial year if no time-based restrictions exist.

Income 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. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

"Government grants and conditional receipts are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant."

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

2.9.1 Investment income

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

2.10.1 Comparative figures

Prior year comparatives
When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

2.11.1 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

2.11.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

2.11.3 Irregular expenditure

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

2.12.1 Use of Estimates

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

2.13.1 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements.

2.14.1 Statutory Funds and Reserves

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements.

Accounting Policies

2.14.1 Statutory Funds and Reserves (continued)

Capital replacement reserve (CRR)

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

"• The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
• Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
• The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
• The CRR is reduced and the accumulated surplus/(deficit) credited with corresponding amounts when the funds are utilised.
• The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects.
• The Council determines the annual contribution to the CRR..

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 (budget circular) 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 and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

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).

2.15.1 IPSAS 20 - Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

2.16.1 Value Added Tax

The Municipality accounts for Value Added Tax on the cash basis.

Accounting Policies

2.17.1 Commitments

"Commitments are not recognised in the statement of financial position as a liability or as expenditure in the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:
- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts are be non-cancelable or only cancelable at significant cost contracts should relate to something other than the business of the municipality

3.1.1. Changes in accounting policy, estimates and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 37 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 37 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

3.1.2. New standards and interpretations

3.2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the mentioned standards and interpretations that are effective for the current financial year and that are relevant to its operations:

3.2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2011 or later periods:

GRAP 18: Segment Reporting

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

GRAP 21: Impairment of non-cash-generating assets

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

Notes to the Annual Financial Statements

3.1.2. New standards and interpretations (continued)

GRAP 26: Impairment of cash-generating assets

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

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

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

GRAP 104: Financial Instruments

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

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

GRAP 23: Revenue from Non-exchange Transactions

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

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

The expected impact of the standard is [discuss the impact that Standard/Interpretation/Amendment is expected to have on the entity’s financial statements].

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:
- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

The effective date of the standard is for years beginning on or after 01 April 2012.

3.1.2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

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

Where no effective dates have been indicated for the GRAP standars issued but not effective the relevant standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

2. Biological assets

	2011			2010		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Plants Annual - Replanted yearly	-	-	-	27 296	-	27 296
Plants - Perennial	-	-	-	150 140	-	150 140
Total	**-**	**-**	**-**	**177 436**	**-**	**177 436**

Reconciliation of biological assets - 2011

	Opening balance	Disposals	Total
Plants Annual - Replanted yearly	27 296	(27 296)	-
Plants - Perennial	150 140	(150 140)	-
	177 436	**(177 436)**	**-**

Reconciliation of biological assets - 2010

	Opening balance	Additions	Disposals	Gains or losses arising from changes in fair value	Total
Plants Annual - Replanted yearly	15 840	17 796	-	(5 800)	27 296
Plants - Perennial	894 740	-	(357 000)	(388 140)	150 140
	910 580	**17 796**	**(357 000)**	**(393 940)**	**177 436**

Non – Financial information

2. Biological assets (continued)

	2011	2010
Quantities of each biological asset		
Annual -Replanted yearly		
Craspedia	-	9 000
Statice White	-	19 000
Statice Blue	-	3 000
Statice Dark Blue	-	12 000
Liatris	-	540
Delpinium	-	3 800
Antirrhinum Rocket	-	14 000
Perennials		
Limonium	-	20 000
Liriope	-	40 000
Asparagus Virgatus	-	10 000
Ruscus	-	4 000
Aspedistra	-	10 000
Flax	-	13 500
Tuberose	-	24 000
Safari Sunset	-	500
Willow Green	-	1 500
Willow Yellow	-	600
Equisitum	-	25 500
	-	**210 940**

The biological assets were transferred to Westrand District Municipality on the 1st of July 2010.

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	5 433 699	(940 808)	4 492 891	16 169 106	(2 578 963)	13 590 143
Furniture and fittings	3 235 780	(740 134)	2 495 646	3 170 063	(286 693)	2 883 370
Motor vehicles	5 018 687	(808 829)	4 209 858	5 098 798	(713 593)	4 385 205
Office equipment	1 665 854	(490 300)	1 175 554	1 075 438	(108 521)	966 917
Computer Equipment	1 024 898	(406 605)	618 293	971 128	(171 002)	800 126
Community	10 926	(5 917)	5 009	10 366	(3 097)	7 269
Other property, plant and equipment	617 788	(208 248)	409 540	597 685	(99 344)	498 341
Total	**17 007 632**	**(3 600 841)**	**13 406 791**	**27 092 584**	**(3 961 213)**	**23 131 371**

Reconciliation of property, plant and equipment - 2011

3. Property, plant and equipment (continued)

	Opening balance	Additions	Disposals / write - offs	Depreciation write - offs	Depreciation	Total
Land and Buildings	13 590 143	103 699	(10 839 106)	(1 794 363)	(156 208)	4 492 891
Furniture and fixtures	1 177 266	92 383	(26 666)	(11 597)	(465 038)	2 495 646
Motor vehicles	2 975 027	788 096	(868 207)	(407 982)	(503 218)	4 209 858
Office equipment	546 340	594 601	(4 185)	(158)	(381 937)	1 175 554
Computer Equipment	865 021	120 109	(66 339)	(44 532)	(280 135)	618 293
Community	7 948	920	(360)	(81)	(2 901)	5 009
Other property, plant and equipment	504 259	20 103	-	-	(108 904)	409 540
	19 666 004	**1 719 911**	**(11 804 863)**	**(2 258 713)**	**(1 898 341)**	**13 406 791**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals / write - offs	Depreciation write - offs	Depreciation	Total
Land and Buildings	14 344 414	-	-	-	(754 271)	13 590 143
Furniture and fixtures	2 815 079	311 203	-	-	(242 913)	2 883 370
Motor vehicles	4 214 498	657 950	(195 287)	78 551	(370 507)	4 385 205
Office equipment	748 637	307 083	-	-	(88 804)	966 917
Computer equipment	630 839	287 192	-	-	(117 904)	800 127
Community Assets	9 265	506	-	-	(2 502)	7 269
Other property, plant and equipment	516 601	76 881	-	-	(95 141)	498 341
	23 279 333	**1 640 815**	**(195 287)**	**78 551**	**(1 672 042)**	**23 131 372**

Pledged as security

No carrying value of assets was pledged as security for liabilities:

Assets subject to finance lease (Net carrying amount)

	2011	2010
Samsung DSC PABX System	314 005	51 272
	314 005	**51 272**

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.

4. Intangible assets

	2011			2010		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	1 389 117	(936 708)	452 409	1 386 261	(440 070)	946 191
Total	**1 389 117**	**(936 708)**	**452 409**	**1 386 261**	**(440 070)**	**946 191**

Reconciliation of intangible assets - 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Intangible assets (continued)

	Opening balance	Additions	Amortisation	Total
Computer software, other	946 191	2 856	(496 638)	452 409
	946 191	**2 856**	**(496 638)**	**452 409**

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, other	983 908	277 016	(314 732)	946 191

Pledged as security

No Carrying value of intangible assets pledged as security:

Other information

Figures in Rand	2011	2010

5. Investments in controlled entities

Name of company	Listed / Unlisted	% holding 2011	% holding 2010	Fair value 2011	Fair value 2010
Dr Kenneth Kaunda District Economic Development Agency	Unlisted	100,00 %	100,00 %	2 106 501	(993 808)
				2 106 501	(993 808)

The municipality has a 100% holding in the Dr Kenneth Kaunda District Municipality Economic Agency. The carrying value and fair value is determined by the office of PriceWaterhouseCoopers 10 Rykstr Welkom. The cost price of the investment is nul.

6. Investments

	2011	2010
Held to maturity		
Call Investment Deposits - Absa	36 200 000	44 000 000
Call investment Deposits is invested for a period from 1 to 3 months		
Call Investment Deposits - Absa Asset Management	9 837 645	9 189 163
Call investment Deposits is invested for a period from 6 to 12 months		
Call Investment Deposits - First National Bank	25 000 000	25 000 000
Call investment Deposits is invested for a period from 1 to 3 months		
Call Investment Deposits - Nedbank	45 000 000	28 000 000
Call investment Deposits is invested for a period from 1 to 3 months		
Call Investment Deposits - Standard Bank	45 000 000	40 000 000
Call investment Deposits is invested for a period from 1 to 3 months		
	161 037 645	**146 189 163**
	-	-
	-	-
	-	-
	161 037 645	146 189 163
	-	-
Current assets		
Held to maturity	161 037 645	146 189 163
	161 037 645	**146 189 163**

The maximum exposure to credit risk at the reporting date is the carrying amount of the held to maturity financial assets.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

Call deposits are investments with a maturity period of less than 12 months and earn interest at rates varying from 5.47% to 6.59% per anum.
Deposits of R5,688,730 are ring - fenced and attributable to the capital replacement reserve. (CRR)
Deposits of R2,541,628 are ring - fenced and attributable to unspent conditional grants and receipts.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

Figures in Rand	2011	2010

6. Investments (continued)

Loans and receivables impaired

As of 30 June 2011, loans and receivables of R - (2010: R 9 500) were impaired and provided for.

The amount of the provision was R (6 500) as of 30 June 2011 (2010: R (9 500)).

The ageing of these loans is as follows.

Over 6 months	6 500	9 500

Reconciliation of provision for impairment of loans and receivables

Opening balance	(9 500)	(16 715)
Unused amounts reversed	3 000	7 215
Provision for impairment	**(6 500)**	**(9 500)**

The creation and release of provision for impairment receivables have been included in operating expenses in surplus or deficit. Amounts are generally written off when there is no expectation of recovering the cash.

The maximum exposure to credit risk at the reporting date is carrying value of each class of loan mentioned above. The municipality does not hold any collateral as security.

7. Summary of Long-term Receivables

Study loans Study loans approved to children of employees before implementation of MFMA	6 500	9 500
Total Long -Term Receivables	6 500	9 500
Less:Impairment of Long -Term Receivables	(6 500)	(9 500)
Total Long- Term Receivables	**-**	**-**

Study loans are classified as Long term receivables as it will not be realised within 12 months of balance sheet date.

Figures in Rand	2011	2010

8. Financial assets by category

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

2011

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Call investment deposts	-	161 037 645	-	161 037 645
Trade and other receivables	5 088 775	-	-	5 088 775
Cash and cash equivalents	-	-	15 656 839	15 656 839
VAT	5 236 502	-	-	5 236 502
	10 325 277	**161 037 645**	**15 656 839**	**187 019 761**

2010

	Loans and receivables	Held to maturity investments	Available-for-sale	Total
Call investment deposits	-	146 189 163	-	146 189 163
Trade and other receivables	1 106 793	-	-	1 106 793
Bank and cash equivalents	-	-	9 513 564	9 513 564
VAT	2 135 490	-	-	2 135 490
	3 242 283	**146 189 163**	**9 513 564**	**158 945 010**

9. Operating leases

	2011	2010
Current liabilities	472 665	1 276 677
Total Current Liabilities	**472 665**	**1 276 677**

This amount represent the the current lease liability on the lease entered into with Morubisi Technologies for CCTV surveilance services, and the deferred lease asset is on the lease entered into with Old Mutual for the lease of office buildings.

10. Employee benefit obligations

Post retirement medical aid benefit liability

	2011	2010
Post-Employment Health Care Benefit Liability	2 301 297	2 638 153
Total: Post-Employment Health Care Benefit Liability	**2 301 297**	**2 638 153**
Less: Transfer to current provisions	(61 104)	(87 600)
Net Post-Employment Health Care Benefit Liability	**2 240 193**	**2 550 553**

Post retirement medical aid plan

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition
of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2011 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are
provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Employee benefit obligations (continued)

Member category		
In-service (employee) members	4	92
Continuation (retiree and widow) members	3	4
	7	**96**

The change in the in -service members from 92 to 4 is due to post retirement medical aid changes in legislation since 2007 that was given to Arch Consulting for the actuarial valuation in 2010-2011

The unfunded liability in respect of past service has been estimated to be as follows:

Member category		
In-service members	1 205 470	2 520 352
Continuation members	1 095 827	1 589 398
	2 301 297	**4 109 750**

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes
- Bonitas
- Hosmed
- LA Health
- Key Health
- Samwumed:

The future service cost for the ensuing year is established to be R 80,156, whereas the interest-cost for the next year is estimated to be R 193,151

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	8,50	9,21
Health Care Cost Inflation Rate %	7,12	7,26
Net Effective Discount Rate %	1,29	1,81
Continuation of membership at retirement	90%	90%
Proportion assumed married at retirement	90%	90%
Average retirement age	63%	63%

The movement in the defined benefit obligation over the year is as follows:		
Balance at the beginning of the year	2 638 153	2 306 138
Current service cost	81 381	123 523
Interest cost	233 790	207 868
Benefits paid	(87 600)	(65 059)
Actuarial (gain)/loss on the obligation	(564 427)	65 683
Balance at end of year	**2 301 297**	**2 638 153**

Figures in Rand	2011	2010

10. Employee benefit obligations (continued)

The total liability has decreased by 13% (or R 0.337 million) since the last valuation. The main reasons for this movement are set out below.

In-service members

The average in-service member liability has increased by 21% over the year due to the following factors:
an increase in the average age; an increase in the average past service; a increase in the net discount rate; an increase in the average future employer contribution.

The total in-service member liability has also increased by 21% since the number of in-service members has not changed.

Continuation members

The average continuation member liability has decreased by 11% due to andecrease in the average employer contribution, partly offset by a decrease in the net discount rate and a decrease in the average age.

The total continuation member liability has decreased by 33% due to the above and because the number of continuation members has decreased.

The table below indicates, for example, that if health care inflation is 1% greater than the long-term assumption made, the liability will be 14% higher for the year ending 30/06/2012 than that shown.The effect of a 1 % movement in the assumed rate of health care cost inflation is as follows:

	2011	2010
Increase of 1%		
Effect on the aggregate of the current service cost and the interest cost	38 300	140 000
	38 300	**140 000**

	2011	2010
Decrease of 1%		
Effect on the aggregate of the current service cost and the interest cost	(32 600)	(128 700)
	(32 600)	**(128 700)**

Multi-Employer Pension Scheme Arrangements

The personnel of the Dr Kenneth Kaunda District Municipality are members of the funds as set out below.The relevant law requires every fund to do an actuarial valuation at least every three years.Sufficient information is not available to make more detailed disclosures.

Municipal Councilors Pension fund. The Municipal Councilors Pension Fund operates as a defined contribution scheme. The actuarial valuation of the fund was undertaken at 30 June 2009 and was reported to be in a sound financial position revealed that the fund had assets to the amount of R 1, 731,055 million. The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Gratuity Fund. The defined benefit scheme is a multi-employer plan and the contribution rate payable is 9 %, by the members and 22 % by Council. The last valuation performed for the year ended 30 June 2010 revealed that the fund had assets of R 9,774,174 million and in a sound financial state as at 30 June 2010.

Municipal Employees Pension Fund. The contribution rate payable is 7,5 % by the members 22 % by Council. The last Actuarial valuation on this fund was performed in February 2008 certified that the fund is in a sound financial state. The total assets amounts to R 5715,557 million and liabilities to R4,900,548 million.

SAMWU Provident Fund. The contribution rate payable is 7,5 % by the members 22 % by Council. The last actuarial valuation on this fund was performed for the year ended 30 June 2007 certified that the fund is in a sound financial state. . The total assets amounts to R2,764,426 million.

National Fund for Municipal workers. The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9 % and by the council is 22 %. The latest voluntary valuation was done on 30 June 2009 (30 June 2008). As at 30 June 2008 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund. The total assets amounts to R 3,633,119 million as at 30 June 2009

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Employee benefit obligations (continued)

An amount of R905,161 was contributed by Council towards councilor and employee retirement funding have been expensed.

11. Trade and other receivables from exchange transactions

Prepayments (if immaterial)	277 020	277 020
Fruitless and wasteful expenditure to be investigated	76 000	74 016
Sundry debtors	5 183 186	1 097 384
DBSA payments on behalf of Councils	4 118 327	4 118 326
Control Accounts	25 307	64 563
Less: Provision for bad debt	(4 591 065)	(4 524 517)
	5 088 775	**1 106 792**

12. VAT receivable

VAT	5 236 502	2 135 490

VAT is payable on the payment basis. Only once payments received and / or made from debtors VAT is paid over to SARS.

13. Cash and cash equivalents

Bank balances and cash equivalents included in the cash flow statement comprise of the following statement of amounts :

Cash on hand	5 510	4 010
Bank balances	15 651 329	9 509 554
Bank and cash	**15 656 839**	**9 513 564**

The municipality had the following bank accounts

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

13. Cash and cash equivalents (continued)

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	13 606 778	7 719 994	5 088 296	13 601 656	3 582 285	(2 569 671)
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	1 817 381	1 703 465	2 120 940	1 817 381	1 772 575	1 837 572
Current Account (Premiers Support Grant) ABSA Klerksdorp Account no 950 000 244	99 007	582 909	540 413	88 007	655 555	630 338
Current Account (Disaster Risk Management grant) ABSA Pretoria Account no 40 7293 0455)	542	2 011 028	-	542	316 397	-
Current Account (Fire Support Grant) ABSA Pretoria Account no 40 7293 0340	23 659	7 592 239	-	23 659	1 374 272	-
Current Account (Merafong Flora) Standard bank Klerksdorp Account no 02 137 020 6)	-	702 884	334 585	-	532 110	334 585
Current Account (Geysdorp plaaslike gebiedsmomitee) ABSA Klerksdorp Account no 9 5014 6036	120 083	1 276 419	1 236 592	120 083	1 276 419	1 236 592
Total	**15 667 450**	**21 588 938**	**9 320 826**	**15 651 328**	**9 509 613**	**1 469 416**

14. Non - current assets held for sale

During the year under review, Council take a resolution to dispose of the Executive Mayors's vehcile.The disposal decision was based on the ageing of the asset. The scheduled date of disposal is still undetermined.

	2011	2010
Non - Current assets held for sale	-	-
Vehicle at carrying value	319 082	-
		-
	319 082	**-**

Figures in Rand	2011	2010

15. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	Capital replacement reserve	**Government grant reserve**	**Accumulated Surplus / Deficit due to operations**	**Total**
Opening balance	(5 688 729)	(211 816)	(159 506 261)	(165 406 806)
Surplus /Deficit for the year	-	-	(9 846 503)	(9 846 503)
Offsetting of depreciation	-	191 329	(191 329)	-
	(5 688 729)	**(20 487)**	**(169 544 093)**	**(175 253 309)**

Ring-fenced internal funds and reserves within accumulated surplus - 2010

	Capital replacement reserve	**Government grant reserve**	**Accumulated Surplus / Deficit due to operations**	**Total**
Restated opening balance	(7 600 114)	(374 492)	(120 850 301)	(128 824 907)
Correction of error	-	-	(189 798)	(189 798)
Surplus /Deficit for the year	-	-	(36 622 118)	(36 622 118)
Prior year adjustments	-	-	57 823	57 823
Property, plant and equipment purchases	1 911 385	(26 717)	(1 884 668)	-
Offsetting of depreciation	-	189 393	(189 393)	-
Transfer to grants (Interest)	-	-	172 194	172 194
	(5 688 729)	**(211 816)**	**(159 506 261)**	**(165 406 806)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

16. Finance lease obligation

Minimum lease payments due		
- within one year	170 952	-
- in second to fifth year inclusive	320 719	-
	491 671	-
less: future finance charges	(85 020)	-
Present value of minimum lease payments	**406 651**	**-**
Present value of minimum lease payments due		
- within one year	121 380	-
- in second to fifth year inclusive	285 271	-
	406 651	**-**
Non-current liabilities	285 271	-
Current liabilities	121 380	-
	406 651	**-**

Lease of Samsung 7200,7400 and 7070 PABX System.
The municipality lease a Samsung DSC PABX System. The lease was classified as a finance lease on the following grounds:1. All risks and rewards are therefore substantially transferred to the municipality.
2. The lease term therefore covers the major part of the asset's economic life
3. The present value of the minimum lease payments approximates the fair value of the Asset

Clause 6 of the TERMS OF BUSINESS states that the item must be insured by the municipality.
The agreement was signed on 24 January 2011 and the period for the lease is 36 months.
The monthly lease amount as per the agreement is R13,408. The cost of the system was determined as R 448,578.

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 25 February 2011
The interest rate is 13.95%
15% annual escalation in rent
No stipulation for further leasing
PABX must be insured by the Lessee as from 24January 2011 when agreement was signed.

Figures in Rand	2011	2010

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
2010 Soccer world cup grant	1 566	-
Disaster Management Fund	542	322 810
Fire Support Grant	23 373	23 373
Integrated Municipal Monitoring Grant (IMMIS)	161 394	161 394
Local Government Support Grant	1 263 336	1 218 438
Finance Management Grant	997 040	648 264
Premier Support Grant	2 293	655 555
LED Learnership (Seta)	92 083	210 648
	2 541 627	**3 240 482**

Movement during the year

Balance at the beginning of the year	3 240 482	16 164 048
Additions during the year	4 044 554	5 363 129
Income recognition during the year	(4 743 409)	(16 786 695)
Transfer back to National Treasury	-	(1 500 000)
	2 541 627	**3 240 482**

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

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

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

18. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Total
Post - employment Health Care Benefits	87 600	60 709	(87 205)	61 104
Long - service Awards	111 346	94 947	(135 270)	71 023
	198 946	**155 656**	**(222 475)**	**132 127**

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonuses	523 621	-	-	(523 621)	-
Post - employment Health Care Benefits	65 059	82 446	(59 905)	-	87 600
Long - service Awards	33 266	107 108	(29 028)	-	111 346
	621 946	**189 554**	**(88 933)**	**(523 621)**	**198 946**

Performance bonuses- the outflow is depended on the evaluation of the performance of the managers provided for.

Post - employment health care benefits- the outflow is periodic as and when employees retired from service
Long service awards - the outflow is linked to when employees are due for long service awards..

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

19. Long Service Awards

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality. The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an litimation of the awards to which employees in the service of the Municipality at 30 June 2011 may become entitled to in future, based on an actuarial valuation performed at that date.
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2011 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

	2011	2010
Provision for Long Service Awards	1 234 395	1 038 300
Total Provision for Long Service Awards	**1 234 395**	**1 038 300**
Less: Transfer to Current Liabilities	(71 023)	(111 346)
Net Long Service Awards liability	**1 163 372**	**926 954**

	2011	2010
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate %	7,9	9,16
Expected Rate of Salary Increase (long-term) %	6,3	6,45
Net Effective Discount Rate %	1,5	2,54
Expected Retirement Age	6	63
Mortality during employment		SA 85-90

	2011	2010
The movement in the long service awards obligation over the year is as follows:		
Balance at beginning of year	1 038 300	784 706
Current service cost	224 043	151 662
Interest cost	90 107	70 844
Benefits paid	(111 346)	(33 266)
Actuarial (gain)/loss on the obligation	(6 709)	64 354
Balance at end of year	**1 234 395**	**1 038 300**

20. Trade and other payables

	2011	2010
Trade payables	12 705 860	2 570 374
Levy debtors in advance	(528)	-
Retention Creditors	2 144 196	1 761 729
Staff Leave	2 728 028	3 974 581
Control Accounts	109	16 543
Geysdorp Gebiedskommittee	1 321 349	1 276 363
	18 899 014	**9 599 590**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Financial liabilities by category

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:

2011

	Financial liabilities at amortised cost	**Total**
Finance lease obligations	121 380	121 380
Operating lease liability	472 665	472 665
Unspent conditional grants	2 541 627	2 541 627
Trade and other payables	18 899 014	18 899 014
Post retirement medical aid benefit	61 104	61 104
Long service defined benefit plan	71 023	71 023
	22 166 813	**22 166 813**

2010

	Financial liabilities at amortised cost	**Total**
Operating lease obligations	1 276 677	1 276 677
Unspent conditional grants	3 240 482	3 240 482
Trade and other payables	9 599 590	9 599 590
Post retirement medical aid benefit	87 600	87 600
Long service awards	111 346	111 346
	14 315 695	**14 315 695**

22. Revenue

Sale of goods	-	481 891
Fines	-	10 000
Government grants & subsidies	152 670 140	156 242 752
	152 670 140	**156 734 643**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of goods	-	481 891

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Fines	-	10 000
Transfer revenue		
Government grants and subsidies	152 670 140	156 242 752
	152 670 140	**156 252 752**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

23. Government grants and subsidies

Equitable share	21 696 000	18 244 000
RSC Levy Replacement Grant	126 231 457	122 543 866
Conditions met - Transfer to Revenue	4 742 683	15 454 886
	152 670 140	**156 242 752**

Equitable Share

Current year receipts	21 696 000	18 244 000
	21 696 000	**18 244 000**

The Grant is unconditional and is utilised to fund operational and capital program

RSC Levy Replacement Grant

Current year receipts	126 231 457	122 543 866
	126 231 457	**122 543 866**

The grant has replaced the RSC Levies that were collected by Districts and Metropolitan Municipalities. These municipalities receives the grant until National Treasury produce the tax instrument that meets conditions of a "fair" tax. The Grant is utilised to fund the operational and capital program.

Current-year receipts	850 000	-
Conditions met - transferred to revenue	(848 434)	-
Conditions still to be met- transferred to liabilities	**1 566**	**-**

Disaster Management Grant

Balance unspent at beginning of year	322 810	2 346 978
Current-year receipts	1 000 000	-
Interest earned	-	6 413
Conditions met - transferred to revenue	(1 322 268)	(2 030 581)
Conditions still to be met- transferred to liabilities	**542**	**322 810**

Conditions still to be met - remain liabilities (see note 17)

DWAF Basic Sanitation

Balance unspent at beginning of year	-	(74 162)
Current-year receipts	-	74 162
Conditions still to be met- transferred to liabilities	**-**	**-**

Local Government Support Grant

Balance unspent at beginning of year	1 218 438	1 283 436
Current-year receipts	45 550	-
Conditions met - transferred to revenue	(652)	95
Interest earned	-	(65 093)
Conditions still to be met- transferred to liabilities	**1 263 336**	**1 218 438**

Conditions still to be met - remain liabilities (see note 17)

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

23. Government grants and subsidies (continued)

Finance Management Grant

Balance unspent at beginning of year	648 264	1 784 177
Current-year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(651 224)	(385 913)
Transfer back to National Treasury	-	(1 500 000)
Conditions still to be met- transferred to liabilities	**997 040**	**648 264**

Conditions still to be met - remain liabilities (see note 17)

Integrated Municipal Monitoring Information System (IMMIS)

Balance unspent at beginning of year	161 394	161 394
Conditions still to be met- transferred to liabilities	**161 394**	**161 394**

Conditions still to be met - remain liabilities (see note 17)

Premier Support Grant

Balance unspent at beginning of year	655 555	630 338
Conditions met - transferred to revenue	(671 377)	(60)
Interest earned	18 115	25 277
Conditions still to be met- transferred to liabilities	**2 293**	**655 555**

Conditions still to be met - remain liabilities (see note 17)

Fire Support Program

Balance unspent at beginning of year	23 373	7 537 562
Conditions met - transferred to revenue	-	(7 584 824)
Interest earned	-	70 635
Conditions still to be met- transferred to liabilities	**23 373**	**23 373**

Conditions still to be met - remain liabilities (see note 17)

LED Learnership SETA

Balance unspent at beginning of year	210 648	193 231
Current-year receipts	130 890	110 321
Conditions met - transferred to revenue	(249 454)	(92 904)
Conditions still to be met- transferred to liabilities	**92 084**	**210 648**

Conditions still to be met - remain liabilities (see note 17)

Municipal System Improvement Grant (MSIG)

Balance unspent at beginning of year	-	1 185 000
Current-year receipts	1 000 000	1 300 000
Conditions met - transferred to revenue	(1 000 000)	(1 300 000)
Transfer back to National Treasury	-	(1 185 000)
Conditions still to be met- transferred to liabilities	**-**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

23. Government grants and subsidies (continued)

LG SETA (HIV/AIDS)

Balance unspent at beginning of year	-	1 200 000
Conditions met - transferred to revenue	-	(1 200 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 17)

24. Other revenue

Commissions received	20 868	17 419
Other income	1 245 629	188 526
Clearance certificate fees	-	456
	1 266 497	**206 401**

25. General expenses

Advertising	809 682	805 336
Assessment rates & municipal charges	510 870	511 881
Auditors remuneration	2 543 812	2 389 260
Bank charges	158 741	132 384
Consulting and professional fees	2 206 495	3 125 834
Consumables	80 097	87 306
Entertainment	762 011	578 576
General expenses -Other	367 011	133 952
Gifts	129 495	178 055
Insurance	370 735	303 920
Conferences and seminars	1 040 044	710 954
Skills development levy	377 882	294 125
Compensation Commissioner	474 476	640 147
Magazines, books and periodicals	9 599	31 803
Motor vehicle expenses	600 777	630 055
Public Participation Expenses	446 731	79 964
Pest control	137 132	136 518
Fuel and oil	-	43 961
Testing of samples - Health	74 707	48 687
Postage and courier	19 716	6 902
Printing and stationery	586 187	537 384
Protective clothing	24 146	37 757
Licence fees -Other	35 433	50 510
Subscriptions and membership fees	382 140	687 473
Telephone and fax	866 575	1 098 661
Subsistence and travel	488 088	638 955
Office Rentals	782 176	591 223
Valuation Cost	-	1 700
Business Expenses Councillors and Directors	98 854	88 821
Audit Committee Members - Remuneration	152 976	159 799
Legal Fees	3 847 450	1 078 417
Community Based Planning	2 858 457	182 721
Training and Development - Councillors	9 701	257 939
Training and Development - Employees	1 006 355	1 019 858
Events and Campaigns	1 012 296	609 097
IDP Review Expenses	150 390	76 835
Chemicals	-	49 983
	23 421 237	**18 036 753**

Expenditure of non occurring nature is shown under General Expenses - Other

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

26. Employee related costs

Basic Salaries	27 664 676	24 503 652
Redemption of Leave	708 045	1 426 828
Cell Phone Allowances	432 659	423 341
Overtime payments	588 679	157 487
13th Cheques	2 257 682	1 436 542
Car allowance	2 963 519	2 458 035
Housing benefits and allowances	265 617	271 372
Salary Claims - Local Councils	1 526 180	4 361 593
Standby Allowances	38 371	23 483
Allowances Uniforms	2 380	15 185
Pension Fund - Councils' Contributions	4 463 920	3 725 711
Medical aid - Councils' contributions	1 490 809	1 168 682
Group Life Insurance - Councils' Contributions	130 105	98 896
UIF	145 583	141 428
Industrial Council	5 194	4 445
Performance Bonuses	-	(523 621)
Long-service awards	338 074	218 268
Post-employment benefits - Defined benefit plan	314 776	393 249
	43 336 269	**40 304 576**

Remuneration of Municipal Manager

Annual Remuneration	813 062	861 180
Car Allowance	158 080	182 400
Allowances and Contributions to UIF, Medical and Pension Funds	65 145	72 000
Leave payout on termination of service	200 969	-
Acting and cellphone Allowance - SK Sebolai	375 000	132 191
	1 612 256	**1 247 771**

An acting Municipal manager Mr S K Sebolai was appointed as from the 23 March 2010 in place of Adv. MA Dlavane.

Adv Dlavane termination date was on the 12 May 2011 and his package included leave payments to the amount of R 200,969

Remuneration of Chief Finance Officer

Acting Allowance	169 676	83 297
	169 676	**83 297**

Mr M B Daffue act in the position of the CFO as from 1 March 2009

Remuneration of Director Corporate Services

Acting Allowance	222 110	34 568
	222 110	**34 568**

Mrs S C Abrams act as Director Corporate Services as from 1 June 2010.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

26. Employee related costs (continued)

Remuneration of Director Infrastructure

Acting Allowance	213 557	39 000
	213 557	**39 000**

Mr K T Tshukudu act in the position of Director Infrastructure as from 22 February 2010

Remuneration of Director District Economic Development

Annual Remuneration	-	171 526
Car Allowance	-	21 000
Acting Allowance	221 295	69 540
	221 295	**262 066**

Mr T Rampedi act in the position of Director District Economic Development as from 22 February 2010

Remuneration of Director Disaster Management

Annual Remuneration	-	347 294
Car Allowance	-	60 996
Other	217 979	33 682
	217 979	**441 972**

Mr R Lesar act in the position of Director Disaster Management as from 10 March 2010

Remuneration of the Director Environmental Health

Annual Remuneration	-	521 289
Car Allowance	-	62 880
Acting Allowance	199 393	28 066
	199 393	**612 235**

Mrs N P Xaba act in the position of Director Disaster Management as from 10 March 2010

27. Remuneration of councillors

Executive Major	550 084	530 668
Mayoral Committee Members	2 255 210	2 731 393
Speaker	449 257	452 938
Councilors	2 053 214	1 913 910
Councilors' pension contribution	915 708	518 739
	6 223 473	**6 147 648**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

28. Investment revenue

Dividend revenue		
Sanlam Shares	1 116	1 009
	1 116	**1 009**

The share holding in Sanlam accounts U0063368811 for 483 shares and U0063368951 for 487 shares was received due to the issuing of shares for policies that was in the name of the municipality.

Dividends to the amount of R 1,116 were declared , but not yet received.

Interest revenue		
Investments and call deposits	11 201 891	11 529 379
	11 201 891	**11 529 379**
Total dividend revenue	1 116	1 009
Total interest revenue	11 201 891	11 529 379
Total investment revenue	**11 203 007**	**11 530 388**

The interest income is calculated using the actual effective interest rate received on investments and call deposits.

29. Depreciation and amortisation

Property, plant and equipment	2 484 060	1 986 772
	2 484 060	**1 986 772**

30. Gains or losses on biological assets

Gains or losses arising from a change in fair value less point of sale costs	-	(733 144)
	-	**(733 144)**

31. Finance costs

Finance leases	25 113	5 194

32. Rental income of facilities and equipment

33. Contracted Services

Information Technology Services	884 934	717 482
Other Contractors	1 231 508	985 854
	2 116 442	**1 703 336**

Figures in Rand	2011	2010

34. Grants and subsidies paid

City of Matlosana	17 026 313	11 211 924
City Council of Tlokwe	7 307 682	2 421 109
Merafong City Local Municipality	-	4 697 444
Ventersdorp Local Municipality	15 038 169	6 678 209
Maquassi Hills Local Municipality	7 764 245	3 056 666
Dr Kenneth Kaunda District Municipality	20 050 957	33 298 301
	67 187 366	**61 363 653**

Details of Grants paid - Dr Kenneth Kaunda District Municipality

Business / entrepreneurs	60 000	-
Communication Unit	1 309 926	1 480 848
Community Agricultural Support	1 996	-
Disability development	47 500	-
District Expo	209 402	162 594
Disaster Management Advisory Forum	37 680	17 447
Disaster Management Awareness	1 166 066	349 585
Disaster Management Planning	368 184	623 700
Disaster Management Relief	58 000	43 368
District cleaning projects	5 500	-
Donations	140 494	-
Dr Kenneth Kaunda Tourism Association	50 000	80 000
Education	135 159	-
Emergency Funding Major Incident	851 241	945
Entrepreneurial Month	-	18 300
Fire Fighting Training & Development	1 115 723	88 475
Funeral assistance	234 825	-
Funding Finance Management Grant	645 764	41 144
LG Seta mandatory grant	249 454	92 375
Funding Local Government (Seta)	-	1 872 931
Funding for Rural Support	-	150 000
Funding Municipal systems improvement grant	-	1 300 000
Gender development	318 118	-
Housing Project & Infrastrc. Baitshoki	-	668 827
Mandella day - special projects	121 496	-
Mayoral Golf Fund	75 600	-
Merit bursary Community	2 739 483	1 129 627
Merit bursary employees	335 035	239 225
Literary competition	710 408	-
N12 Treasure Route	-	1 645
Promotion and Marketing DED	182 843	99 030
Poverty relief	212 784	-
Resource & Support Centre	43 860	43 860
Risk Reduction Project	317 100	220 525
Rural Sannitation &Water Backlog @ Schools	186 532	3 770 598
SDM Economic Agency	1 383 900	1 083 330
SMME Workshop/Summit	46 195	64 769
Scheikenmaster Meat Processing	2 675 000	2 500 000
Skills Development and Training	247 114	711 596
Small Scale Farmers Tech. Support	-	35 000
Special Discretionary on Merit	-	2 458 631
Special Projects Desk	205 933	3 237 131
Sport, Arts and Culture	1 662 346	4 330 952
Sports sponsorship	25 700	-
Tourism Awareness	27 350	18 948
Tourism Information Centre	32 100	30 000
Tourism & Marketing	10 121	213 554
Traditional food /cultural festival	195 000	-
Volunteer Unit	55 125	920 182

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
34. Grants and subsidies paid (continued)		
Vredefort dome	20 100	-
Volunteers stipend	359 600	-
Volunteers uniforms	96 713	-
Women's month	46 460	-
Youth develoment - Special projects	183 593	-
Hosting PVA 2010 Soccer world cup tournament	848 434	5 199 160
	20 050 957	**33 298 302**

Details of Grants paid - City of Matlosana

10ml Reservoir Hartebeesfontein/Tigane	-	14 560
CCTV Cameras	11 055 521	11 055 525
Khuma Main Road (Malekhutu)	-	141 839
Dominionville sanitation	343 528	-
Hartbeesfontein sewer network	2 547 811	-
Jacaranda electrification	454 662	-
Jacaranda sanitation	55 651	-
Jacaranda water augmentation	81 495	-
Khuma 10ML Reservoir Upgrading	1 818 158	-
Rural fencing Matlosana	172 521	-
VIP`S for farms and farm settlements	431 099	-
Wolwerand water and sanitation	65 868	-
	17 026 314	**11 211 924**

Details of Grants paid - City of Thlokwe

Baitshoki farm solar lighting	623 959	-
Baitshoki farm multi purpose centre	912 707	-
Matlwang Access Road	5 298 316	-
Matlwang Electricity Supply	-	1 800 000
Tlokwe Beans Project	472 700	325 000
Zonderwater Geostudy	-	296 109
	7 307 682	**2 421 109**

Details of Grants paid - Merafong City Local Municipality

Fire Support Programme-Fire- engines	-	4 693 744
Telephone and additional services	-	3 699
	-	**4 697 443**

Details of Grants paid - Ventersdorp Local Municipality

Acquisition of solid waste compacters	1 447 886	-
Appeldraai water supply	469 590	-
Boikhutso outdoor sport facility	-	442 000
Boikhutsong water network reticulation	139 136	-
Ext.6-Ventersdorp Township Establihment	1 087 250	172 400
Fire Engines Purchases - Ventersdorp	-	2 701 797
Goedgevonden water network reticulation	228 542	-
Graveyard Fencing - Mogopa	552 519	-
Mayoral Projects Ventersdorp	189 827	189 830
Paupers Funerals	347 889	438 035
Premier Support Grant - Refilwe Project	375 290	314 978
Spatial development framework review	456 300	-
Township Establish. Toevlug Ventersdorp	4 294 514	1 467 590
Transformers	-	129 500
Tstetse water network reticulation	118 998	-
Tshing Roads	3 505 340	-
Two Bedrooms Clinics - Ventersdorp	595	-
Ventersdorp rural development regraveling	1 276 794	-
Ventersdorp Vineyard Project	547 700	325 000

Figures in Rand	2011	2010

34. Grants and subsidies paid (continued)

VIP Sannitation Rysmierbult	-	497 079
	15 038 170	**6 678 209**

Maquassi Hills Local Municipality		
Main Road Wolmaransstad	-	1 607 532
Maquassi Hills Piggery	472 700	325 000
Mayoral projects	248 270	1 124 134
Mobile offices ward commitees Maquassi-Hills	99 623	-
Performance Management IT System	447 631	-
Speed Humps Wolmaranstad	232 992	-
Streetlights Lebaleng Ext 10	2 392 575	-
Rural development Boskuil & Oersonskraal	607 879	-
Wate management project Maquassi-Hills	2 000 000	-
Construction community hall Maquassi-Hills	189 022	-
Yellow bins Maquassi-Hills	700 000	-
Oersonskraal & Boskuil water augmentation	373 552	-
	7 764 244	**3 056 666**

Total Grants and Subsidies paid	67 187 366	61 363 653
Total grants and subsidies paid	**67 187 366**	**61 363 653**

35. Cash generated from operations

Surplus	9 846 502	36 622 120
Adjustments for:		
Depreciation and amortisation	2 484 060	1 986 772
Loss on disposal of property, plant & equipment	9 404 504	35 179
Loss on biological assets	-	733 144
Operating lease expenses due to straightlining	(804 012)	-
Provision for leave reserve	(1 246 553)	-
Debt impairment	66 548	290 252
Movements in retirement benefit assets and liabilities - Non current	125 004	843 416
Movements in provisions - Current	(66 819)	-
Changes in working capital	**19 809 234**	**40 366 368**
Trade and other receivables from exchange transactions	(4 048 530)	2 201 073
Trade and other payables	10 545 980	(18 218 560)
VAT	(3 101 011)	-
Unspent conditional grants and receipts	(698 855)	-
Cash payments made against current provisions	(198 946)	-
	22 307 872	**24 493 396**

Figures in Rand	2011	2010

36. Commitments

Authorised capital expenditure

Total approved and contracted for		
• Infrastructure - Other	763 337	-
• Water	1 439 435	6 066 575
• Electricity - Street lights	-	253 095
• Other	430 000	353 171
• Sanitation / Waste disposal	2 251 304	-
	4 884 076	**6 672 841**

This expenditure will be financed from:		
Own resources	4 884 076	6 672 841

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	5 719 491	14 487 386
- in second to fifth year inclusive	588 327	6 201 742
	6 307 818	**20 689 128**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of 36 months . No contingent rent is payable.Operating lease payments represent rentals payable by the municipality for:

1.Public Surveillance System (CCTV and Security Service)

The municipality lease a Public Surveillance System. The lease was classified as a operating lease the following grounds:1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.

2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.

Clause1 Service description states that the the lessee shall install, operate, maintain, and insure the CCTV System.
The original agreement was signed on the 2 Nov 2005 and the period for the lease was 36 months. A new lease contract was entered into and signed on the 7 Nov 2008 for a further period of 36 months
The monthly lease amount as per the agreement to R819,072.70 (Excl VAT), with a 12% escalation per year.

General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 7 Nov 2008
Accumulative annual escalation is 12%
Option to renew the contract for another 36 months is included under Period of lease paragraph 2.2

2. Gizmo

The municipality lease a printer multifunction copier and a colour lazer printer from Gizmo. The lease was classified as a operating lease the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.

3.Gizmo shall maintain an service the equipment.
4.The agreement was signed on the 20July 2010 and the period for the lease is 36 months.
3.The monthly lease amount as per the agreement is R3722.00 (Excl VAT), No escalation was agreed on in the lease

36. Commitments (continued)

3. Old Mutual

The municipality lease an Office Building from Old Mutual. The lease was classified as a operating lease on the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2.The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.
3.Old Mutual shall maintain the building.
6.A new lease was entered into on the 1st March 2010 for a period of 36 months for an amount R35092.00 (Excl VAT), a 10% escalation was agreed on the lease.

4. Toshiba

The municipality lease photocopiers from Toshiba. The lease was classified as a operating lease the following grounds:
1.The Municipality have obtained all the information of the lease installments and expensed it in the Statement of Financial Performance on a straight-line basis.
2..The difference between the equalised lease payment and the actual cash flow is recognised as a deferred asset or liability in the statement of financial position.
3. Toshiba shall maintain and service the equipment.
4.The agreement was signed on the 30 Oct 2009 and the period for the lease was 36 months.
5.The monthly lease amount as per the agreement is R32 0000 (Excl VAT), No escalation was agreed on in the lease.
General description of lease arrangements
No contingent rent
No restrictions – the lease is for a period of 36 months as from 1 Nov 2009
No accumulative annual escalation is included in the lease
No Option to renew the contract is stipulated in the lease.
Toshiba have sold the rights and titles of the agreement to M W Asset Rentals (Pty)Ltd.

37. Contingencies

Contingent Assets and Contingent Liabilities

"Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity."

38. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report
Short term benefits employees	Refer to note 26
Post employment benefit plan for employees of the entity and/or other related parties	Refer to note 10
Entity	Refer to note 5
Members of Council	Refer to page 1 MA Dlavane - Municipal Manager till 12 May 2011 SK Sebolai - Acting Municipal Manager from 23 March 2010 M B Daffue - Acting CFO S C Abrams - Acting Director Corporate Services T Tshukudu - Acting Director Infrastructure R Lesar - Acting Director Disaster Management T Rampedi - Acting Director District Economic Development T M Ramatlhape - Director Health Services

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

38. Related parties (continued)

N P Xaba - Acting Director Health Services

The council supply these Projects with funds via the SDM Economic Agency.

Related party transactions

Other Related Parties		
Dr Kenneth Kaunda District Economic Development Agency	1 383 900	3 127 003
Maquassi Hills Piggery	472 700	323 063
Tlokwe Beans Project	472 700	325 000
Ventersdorp Vineyard Project	547 700	325 000
Scheikenmaster Meat Processing	2 675 000	2 500 000

Key management information

39. Correction of errors

The correction of the error(s) results in adjustments as follows:

Transactions affecting prior year errors		
Transactions affecting post retirement medical aid benefit liability as at 30 June 2010		
Statement of financial performance - Defined benefits plan expenses	-	(168 874)
Statement of financial position - Accumulated Surplus	-	(1 302 723)
Post retirement medical aid benefit liabilty	-	1 471 597
The liability was significantly reduced due to a large decrease in eligible in-service members. Incorrect information was supplied to the actuaries in the prior financial year		
Transactions affecting cancelled cheques in prior years		
Statement of financial performance - Accumulated surplus	189 796	(189 796)
Statement of financial position - Primary Bank Account	(189 796)	189 796
Restatement of cheques issued in the 2008/9 financial year cancelled in the 2010/11 year	-	-
Transactions affecting Provision for leave for the 2009/2010 financial year		
Statement of financial performance - Accumulated surplus	-	1 360 545
Statement of financial position - Provision for leave	-	(1 360 545)
Restatement of the provision for leave that was incorrectly calculated in 2009/2010 (Refer journal A71)		
	-	**-**

Transaction affecting accrued interest on investments in the 2008/2009 financial year		
Statement of financial position - Sundry debtors	-	137 877
Statement of financial position - Accumulated surplus	-	(137 877)
Correction was incorrectly made in the prior financial year regarding 2008/2009 accrued interest credited against sundry debtors instead of accumulated surplus refer journal A96	-	-
	-	**-**

Figures in Rand	2011	2010

39. Correction of errors (continued)
Transactions affecting Property Plant and Equipment for the 2009/2010 financial year:

Accumulated surplus 30 June 2009	-	(6 274 020)
Statement of financial performance - Accumulated surplus	-	(743 750)
Statement of financial performance - Accumulated surplus	-	40 761
Statement of financial performance - Accumulated surplus	-	24 358
Statement of financial position - Correction Property, Plant & equipment	-	6 952 651
	-	**-**

Umspend conditional grant deducted by National Treasury from allocations granted to Council (Journal A 95)

Transactions affecting the disclosure of General Expenses

Statement of financial performance - Community Based Planning	-	182 721
Statement of financial performance - General Expenses - Other	-	(182 721)
	-	**-**

Due to the materiality of Community Based Planning expenses it is classified as such under general expenses and the amount of R182.721 that were classified under General expenses - Other were nou reclassified under Community Based Planning.

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40. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes , ,, cash and cash equivalents and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio.

This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality’s is expose to a variety of financial risks: market risk , fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk, but the exposure is limited and manageble.

40. Risk management (continued)

Due to largely, "non-trading nature" of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.
The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The municipality does not enter into or trade financial instruments for speculative purposes.
Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports monthly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

The tables detail the municipality's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

At 30 June 2011	Less than 1year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	18 899 014	-	-	-
Finance lease liability	120 672	178 997	117 186	-

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	9 599 590 %	-	-	-

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income received on interest on investments are dependent of changes in market interest rates.

To decrease interest rate risk exposure, investments is mostly done on a on a term not longer than six months.The current Interest rate shown below is the interest on call investment deposits at year end or the average interest earned during the past year under review

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Cash in current banking institutions	2,20 %	15 651 328	-	-	-	-
Call investment deposits	5,50 %	161 037 645	-	-	-	-

Credit risk

40. Risk management (continued)

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Each class of financial instrument is disclosed separately.

Maximum exposure to credit risk not covered by collateral is specified.

Financial instruments covered by collateral are specified.

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

Receivables and Other Debtors are individually evaluated annually at statement of financial position date for impairment or discounting.

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

Financial instrument	**2011**	**2010**
Call investment deposits	161 037 645	146 189 163
Trade and other receivables	5 088 775	968 916
Bank balances and cash	15 656 839	9 323 767

The maximum credit and interest risk exposure in respect of the relevant financial instruments amounts to as indicated above.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The maximum exposure to cash flow and fair value risk, price risk and foreign currency risk.

Sensitivity analysis for each of the market risks

41. Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.estimation of its financial effect or a statement that such an estimation cannot be made.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

42. Fruitless and wasteful expenditure

	2011	2010
Fruitless and wasteful expenditure	76 000	74 016
	76 000	**74 016**

Fruitless and wasteful expenditure represent interest and penalties on late payment

43. Irregular expenditure

	2011	2010
Opening balance	35 354 265	2 097 611
Add: Irregular Expenditure - current year	617 939	33 407 912
Less: Amounts condoned	(12 342 739)	-
Less: Amounts recovered	-	(151 258)
Amounts not yet condoned	**23 629 465**	**35 354 265**

Analysis of expenditure awaiting condonation per age classification

Details of Irregular Expenditure – Current year

Payments exceeding maximum amount allowed as per funeral policy	Deviation from Funeral policy	160 329
No competitive bidding process followed for awards	Contrary to supply chain regulation 12(1)(d) & 19(a))	457 610
		617 939

Details of Irregular Expenditure condoned

	Condoned by council	
Amounts not yet condoned in the prior years	(Prior years Irregular expenses condoned by Council).	344 753
No formal written price quotations obtained for transaction(s)	(Contrary to supply chain regulation 12(1)(c))	68 360
No competitive bidding process followed for awards	Contrary to supply chain regulation 12(1)(d) & 19(a))	2 471 682
Private use of official vehicles	(Contrary to item 12 of schedule 5 of MSA, 1998 (Act No. 117 of 1998) and item 9 of schedule 2 of the MFMA respectively).	402 828
Baitshoki V Housing project split into parts	(Contrary to supply chain regulation 19(b))	337 344
Deviations from bid adjudication recommendations	(Contrary to section 114(1) of the MFMA)	2 253 468
Payments to suppliers without tax clearence certificates	Contrary to supply chain regulation 43(1))	182 698
Reported awards made to persons in service of the state	(Contrary to regulation 44 of the SCM regulations)	2 235 491
Contracts renewed without council approval and public participation	Contrary to section 116(3) of the MFMA)	1 340 861
Winning bidder did not declare in in service of the state	(Contrary to supply chain regulation 13(c))	1 750 285
Quotations not advertised for 7 days	Contrary to supply chain regulation 18(a))	954 969
		12 342 739

Details of Irregular Expenditure recoverable (not condoned)

Awarding of a 3 year contract for accomodation	358 020
The improper use of official creditcards 09/10	451 386
The improper use of official creditcards prior 3 years	943 452
	1 752 858

Figures in Rand	2011	2010

43. Irregular expenditure (continued)

Details of Irregular Expenditure not recoverable (not condoned)

No competitive bidding process followed for awards	13 839 438
3 Year accommodation contract without competative bids	162 000
Overpayment of contracters	438 466
Preference point system not applied for expenditure between R30 000 - R200 000	6 970 022
	21 409 926

44. Reconciliation between budget and statement of financial performance

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

	2011	2010
Net surplus per the statement of financial performance	9 846 502	36 622 120
Adjusted for:		
Fair value adjustments	-	733 144
Gain / loss on write -off on the sale of assets	-	(5 582)
Increases / decreases in provisions	66 819	423 000
Net underspending on approved budget	(9 913 321)	(37 772 682)
Net surplus per approved budget	**-**	**-**

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to Organised Local Government

	2011	2010
Current year subscription	371 121	350 208
Amount paid - current year	(371 121)	(350 208)
	-	-

Membership fees paid to SALGA.

Audit fees

	2011	2010
Current year audit fee	2 543 812	2 389 260
Amount paid - current year	(2 543 812)	(2 389 260)
	-	-

PAYE and UIF

	2011	2010
Current year payroll deductions	7 875 679	6 631 582
Amount paid - current year	(7 875 679)	(6 631 582)
	-	-

Pension and Medical Aid Deductions

	2011	2010
Current year payroll deductions and council contributions	6 555 477	5 526 774
Amount paid - current year	(6 555 477)	(5 526 774)
	-	-

VAT

Figures in Rand	2011	2010

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

VAT receivable	5 236 502	2 135 490
	5 236 502	**2 135 490**

VAT output payables and VAT input receivables are shown in note 12.

All VAT returns have been submitted by the due date throughout the year.

46. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E (1) for the comparison of actual operating expenditure versus budgeted expenditure.

47. Deviation from supply chain management regulations

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

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

.See the attached annexure regarding deviations from supply chain regulations.

48. Water Services Authorities - transfer of assets & liabilities

The Government Gazette No. 24228 of 3 January 2003 was promulgated by the Minister responsible for Provincial and Local Government. In this Gazettte the municipalities of Tlokwe, Matlosana, Maquassi Hills and Ventersdorp were made Water Services Authorities (WSA). In terms of this Gazette the relevant Category B Municipalities are responsible for the assets and liabilities relating to the bulk water and sanitation.services. All relevant external loans and assets are transferred to the Category B Municipalities in the 2007/2008 financial year. The infrastructure assets were unbundle for Maquassi Hills and Ventersdorp and handed over to them in June 2011.

49. Analysis of property plant and equipment

Refer to Appendix B - Analysis of property, plant and equipment

50. Segmental analysis of property, plant and equipment

Refer to Appendix C - Segmental Analysis of property, plant and equipment

51. Segmental statement of financial performance

Refer to Appendix D - Segmental statement of financial performance

52. Disclosure of grants and subsidies

Refer to Appendix F - Disclosure of grants and subsidies