



**Ndwedwe Local Municipality
Annual Financial Statements
For the year ended 30 June 2011**

I, am responsible for the preparation of these annual financial statements, which are set out on pages 3-42, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclose in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearer Act and the Minister of Provincial and Local Governments determination in accordance with this Act.

**Ms T Cibane
Municipal Manager**

Date

Tickmarks

- Afs - Agreed to Afs*
- Py - Agreed to prior year Afs*
- ✓ - transferred correctly from notes*
- ^ - casts*
- @ - cross casts*

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor Councillor M Hadebe

Deputy Mayor Councillor BE Blose

Speaker Councillor MJ Zondi

Member of Executive Committee Councillor MP Busane

Member of Executive Committee Councillor NP Ngcobo

Member of Executive Committee Councillor RM Cele

Member of Executive Committee Councillor BJ Shozi

Member of Executive Committee Councillor KW Madlala

GRADING OF LOCAL AUTHORITY

Grade 2 Low Capacity Municipality

AUDITORS Auditor-General

BANKERS First National Bank, Verulam Branch

POSTAL ADDRESS P/Bag x 503, Ndwedwe, 4342

E-MAIL ADDRESS mm@ndwedwe.gov.za

DOMICILIE AND LEGAL FORM The domicile and legal form of the Municipality is a Category C Municipality as established in terms of the Local Government: Municipal Structures Act No. 117 of 1998 and the Municipal Systems Act No 32 of 2000. Part 1: Section 21 of the Local Government Demarcation Act No. 27 of 1998 allowed the Demarcation Board authority to determine the boundaries of the Municipality.

MUNICIPAL MANAGER: Ms. T Cibane

CHIEF FINANCIAL OFFICER: Mr SK Khoza

**Ndwedwe Local Municipality
Annual Financial Statement for the year ended 30 June 2011**

Statement of Financial Position as at 30 June 2011

	Note	2011		2010	
		R		R	
Assets					
Non-Current Assets					
		^		^	
		96,248,616	Afs	67,285,322	Py
Property, plant and equipment	J.5 9 ✓	94,704,270	Afs	65,692,818	Py
Intangible assets	J.5 10 ✓	1,544,347	Afs	1,592,504	Py
Current Assets					
		^		^	
		8,154,601	Afs	23,229,676	Py
Consumer Debtors	J.1 11 ✓	898,806	Afs	2,249,654	Py
Debtors	J.1 12 ✓	1,233,395	Afs	301,516	Py
VAT	J.13 13 ✓	2,412,394	Afs	1,469,385	Py
Call Investment Deposits	J.8 8 ✓	2,779,136	Afs	17,034,895	Py
Cash and Cash Equivalent	J.7 8 ✓	830,870	Afs	2,174,226	Py
Total Assets		104,403,217	Afs	90,514,998	Py
Net Assets and Liabilities					
Net Assets					
		^		^	
Accumulated Surplus/(Deficit)	J.12 2 ✓	94,404,760	Afs	67,186,225	Py
		94,404,760	Afs	67,186,225	Py
LIABILITIES					
Non-Current Liabilities					
		^		^	
		2,839,133	Afs	3,056,280	Py
Finance Liability	J.10 3 ✓	2,529,527	Afs	2,757,047	Py
Provision for long service awards	J.11 5 ✓	309,606	Afs	299,233	Py
Current Liabilities					
		^		^	
		7,159,324	Afs	20,272,495	Py
Current Provisions	J.2 4 ✓	1,189,591	Afs	1,064,932	Py
Trade Creditors	J.3 6 ✓	1,203,599	Afs	8,064,042	Py
Unspent conditional grants and receipts	J.11 7 ✓	3,610,006	Afs	10,253,037	Py
Current portion of finance liability	J.3 3 ✓	1,156,128	Afs	890,484	Py
Total Liabilities	J.10	9,998,457	Afs	23,328,775	Py
Total Net Assets and Liabilities		104,403,217	Afs	90,515,000	Py

NDWEDWE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance as at 30 June 2011

	Note	2011	2010
		R	R
Revenue			
Assessment Rates	K.3 14	2,660,689 Afs	2,532,566 Py
Rental Income	K.3	69,117 Afs	124,125 Py
Government Grants	K.3 7	80,414,582 Afs	56,373,750 Py
DBSA Grant	K.3		434,800 Py
Public Donations	K.3	120,000 Afs	
Interest Received - External Investments	K.3 15	1,064,009 Afs	2,287,885 Py
Interest Earned - Outstanding Debtors	K.3 15	50,383 Afs	- Py
Profit on sale of assets	K.3 15	166,149 Afs	- Py
Other Income	K.3 15	207,775 Afs	457,887 Py
Total Revenue		84,752,704 Afs	62,211,013 Py
Expenditure			
Employee related costs	K.1 16	18,155,943 Afs	15,033,116 Py
Remuneration of Councillors	K.1 17	7,172,912 Afs	6,587,187 Py
Depreciation, amortisation and impairments	J.6	4,077,306 Afs	2,909,079 Py
Repairs and maintenance	K.2	2,811,872 Afs	2,409,730 Py
Finance Charges	K.2 18	588,021 Afs	620,918 Py
Provisions	K.2 19	1,134,234 Afs	369,176 Py
Contracted Services	K.2	2,810,435 Afs	- Py
General Expenses	K.2 20	19,830,196 Afs	20,206,581 Py
Total Expenditure		56,580,919 Afs	48,135,787 Py
Surplus for the year		28,171,785 Afs	14,075,226 Py

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

	Accumulated Surplus/ (Deficit)	Net Assets
Opening Balance as Previously Reported	-74,830,528	-74,830,528
Adjustment	-1,863,835	-1,863,835
Prior Year Adjustment (2009/2010)		
Balance as at 1 July 2009 as Restated	-76,694,363	-76,694,363
	^	^
(Surplus)/(Deficit) for the year previously Reported	9,730,430	9,730,430
Opening Balance as Previously Reported	-66,963,933	-66,963,933
Adjustment	945,328	945,328
Prior Year Adjustment (2009/2010)		
Balance as at 1 July 2010 as Restated	-66,018,605	-66,018,605
	^	^
Surplus for the Year	-28,171,785	-28,171,785
Movements during 2010/2011 year	-214,371	-214,371
Balance as at 30 June 2011	-94,404,761	-94,404,761
	^	^

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

Cash Flow Statement

L.7

	Note	2011	2010
		R	R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from Customers	1	-86,969,980	-64,720,013
Cash paid to suppliers and employees	2	89,049,811	64,654,042
Cash Generated from Operations	1,2	2,079,831	-65,971
Interest Income		1,064,009	2,287,885
Finance Costs		-588,021	-620,920
Net cash from operating activities		1,603,842	1,600,994
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	-32,352,109	-23,805,655
Proceeds on Disposal of Property, Plant and Equipment		209,326	0
(Increase)/Decrease in current investments		0	0
Increase on Non Current Investments		0	0
(Increase)/Decrease in non-current receivables		0	0
Net Cash from investing activities		-32,142,783	-23,805,655
Cash flows from financing activities			
Repayment of other financial liabilities		889,559	689,499
Increase/(Decrease) Current Creditors		-6,860,443	6,583,712
Decrease/(Increase) in consumer debtors		546,795	-553,059
Decrease/(Increase) in conditions grants		6,643,031	7,685,452
Net cash from financing activities		1,218,943	14,405,604
Net (decrease) / increase in cash and cash equivalents		-29,319,998	-7,799,057
cash and cash equivalents at the beginning of the year		19,209,121	27,008,179
cash and cash equivalents at the end of the year		-10,110,879	19,209,121

Notes on cash flow statement calculations

2010/2011 2009/2010

Note 1 - Cash receipts from ratepayers, government and other (R'000)

Total Revenue	82,812,089	61,043,493
Adjustment for:		
Interest earned - external investments	-1,064,009	-2,287,885
Interest earned - outstanding debtors	-50,383	-
Dividends received	-	-
Gain on disposal of PPE	-166,149	-
Provision for bad debts	-804,052	-
Working capital changes:		
Increase in consumer debtors	-546,795	-1,721,047
Increase in other debtors	146,248	-
Decrease in unspent conditional grants and receipts	6,643,031	7,685,452
Cash receipts	86,969,980	64,720,013

Note 2 - Cash paid to suppliers and employees (R'000)

Total Expenditure	-93,624,697	-53,453,753
Adjustment for:		
Depreciation	-	-2,909,079
Interest paid	-588,021	-620,918
Repayment of Current Liabilities	-889,559	-763,380
Contribution to provisions - non-current	10,373	-
Contribution to provisions - current	124,659	-323,200
Working capital changes:		
Decrease in inventories	-	-
Increase in creditors	6,860,443	-6,583,712
Increase in VAT	-943,009	-
Cash paid	-89,049,811	-64,654,042

Note 3 - Purchase of property, plant and equipment (R'000)

Property, plant and equipment purchased is calculated as follows:

PPE balance at 30 June 2010	77,170,407	51,070,751
Carrying value of PPE disposed of	11,389,065	2,294,000
Depreciation for the year ended 30 June 2011	-12,338,440	-9,885,085
PPE balance at 30 June 2011	-108,587,056	-67,285,321
Property, plant and equipment purchased	-32,366,024	-23,805,655

Note 4 - Proceeds on disposal of property, plant and equipment (R'000)

Carrying value of PPE disposed of	35,005	-
Gain on disposal of PPE	198,660	-
Proceeds on disposal of property, plant and equipment	233,665	-

Additional Information: The purchase of property, plant and equipment for amount of R1 371 406 include an amount of R 927 683 for assets acquired through Finance lease

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on accrual basis in accordance with the Standards of Generally Recognised Accounting Practice (GRAP). The Financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

The Municipal Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:

- GRAP 1 Presentation of the Financial Statements
- GRAP 2 Cash flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The effects of Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Cost
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investments in Associates
- GRAP 8 Investments in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP10 Financial Reporting in Hyperinflationary Economics
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases (GRAP13)
- GRAP 14 Events After The Reporting Date
- GRAP 16 Investment Properties
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 21 Impairment of Non Cash Generating Assets
- GRAP 23 Revenue from Non-Exchange Transactions
- GRAP 24 Presentation of Budget Information in Annual Financial Statement
- GRAP 26 Impairment of Cash Generating Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 101 Agriculture
- GRAP 102 Intangible Assets
- GRAP 103 Heritage Assets

Accounting policies for material transactions, events or conditions not recovered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SAGAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The municipality has taken advantage of the Accounting Standards Board Directive 4 (Transitional Provision for the adoption of Standards of GRAP be Medium and Low Capacity Municipalities – Dated February 2008) with regards to GRAP 17 Property Plant and Equipment and GRAP 102 Intangible Assets.

Directives issued and effective:

- Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
- Directive 2: Transitional Provisions for the adoption of Standards of GRAP by entities, Municipal Entities and Constitutional Institutions
- Directive 3: Transitional Provisions for the adoption of Standards of GRAP by High Capacity Municipalities
- Directive 4: Transitional Provisions for the adoption of Standards of GRAP by Medium and Low Capacity Municipality
- Directive 5: Determining the GRAP reporting Framework
- Directive 7: The adoption of Deemed Cost on the Adoption of Standards of GRAP

Interpretation of the Standards of GRAP

IGRAP apply the Probability Test on Initial Recognition of Exchange Revenue

Approved guidelines of Standards of GRAP:

Guide 1 Guideline on Accounting for Public Private Partnerships

Effective accrual based IPSAS's considering the provisions in paragraphs .15 to .19 of the Directive:

IPSAS 20 Related Party Disclosure
IPSAS 21 Impairment of Non-Cash-Generating Assets

Effective IFRS's and IFRIC's that are applied considering the provisions in paragraphs 20 to 26 of the Directive:

IFRS 3 (AC 140) Business Combinations
IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144) Financial Instruments: Disclosure
IAS 12 (AC 102) Income Taxes
IAS 19 (AC 116) Employees Benefits
IAS 32 (AC 132) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 (AC 133) Financial Instruments: Recognition and Measurements
SIC 21 (AC 421) Income Taxes – Recovery of revaluated Non- Depreciable Assets
SIC 25 (AC 425) Income Taxes – Changes in the Tax Status of an entity or Its Shareholders

SIC 29 (AC 429) Service Concession Arrangements: Disclosure
IFRIC 2 (AC 435) Members Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC 437) Determining whether an Arrangement contains a lease
IFRIC 9 (AC 442) Reassessment of Embedded Derivatives
IFRIC 12 (AC 445) Service Concession Arrangements
IFRIC 13 (AC 446) Customer Loyalty Programmes
IFRIC 14 (AC447) IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of International Financial Reporting Standards.

1.1 BASIS OF CONSOLIDATION

The basis of consolidation of financial statements are presently not applicable due to the fact that the municipality have no investments with other entities nor is it involved in any joint ventures at present.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis although the main source of revenue is equitable share received from Government.

1.4 Standards, amendments to standards and interpretations issued but not yet effective

GRAP 18: Segment Reporting – Issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 25: Presentation of Employee Benefits – Issued November 2009

Compliance to the standard would have an effect on the presentation only. Financial information has been reported in notes to Annual Financial Statements and statement of performance. The disclosure of this information will assist users of the financial statements to evaluate the nature of the entity defined plans and the financial effect in those plans during the reporting period.

GRAP 104: Financial Instruments – Issued October 2009

Compliance to the standard would have an effect on the presentation only. Financial information has been reported in the notes to the Annual Financial Statements.

GRAP 105: Transfer of Functions between Entities under Common Control – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities under common control will the accounting policy be amended to cater for such transfer.

GRAP 106: Transfer of Function between Entities Not Under Common Control – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities not under common control will the accounting policy be amended to cater for such transfer.

GRAP 107: Mergers – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a merger between entities will the accounting policy be amended to cater for such merger transactions and disclosure.

1.5 HOUSING DEVELOPMENT FUND

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

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated regarding their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite live.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to make use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Consultants have been appointed to itemize assets components where the useful life is different.

Where an asset is acquired by the municipality for no or nominal consideration, the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent Measurement

Subsequent to initial recognition, items for property, plant and equipment are measured at cost less accumulated depreciation and impairment identified during the financial period. Land was not depreciated due the fact that it is deemed to have an indefinite useful life.

Where parts of assets are replaced, the replaced part is derecognised and the new part is capitalised. Expenditure on an asset is capitalised only when it increases the capacity or future economic benefits associated with the asset.

Depreciation only commences when the assets are ready for their intended use.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Details of assets class and life-span in years

Infrastructure

- Roads 15 years
- Economic Development 20 years
- Stormwater Drainage 20 years
- Street Lighting 20 years

Community

- Buildings 30 years
- Recreational Facilities 20 – 30 years

Other property, plant and equipment

- Buildings 30 years
- Informal Markets 30 years
- Building Improvements 20 years
- Heavy and mobile plant 10 years
- Furniture and fittings 7 years
- Vehicles 5 years
- Bins and containers 5 years
- Plant – general 5 years
- Security System 5 years
- Office equipment 3 - 5 years
- Other items of Plant and equipment 3 – 5 years

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

Provision is made for this obligation in accordance with the Municipalities accounting policy on non-current provisions – See Accounting Policy 1.12 on provisions.

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 in the Statement of Financial Performance.

The Municipality test for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance

1.7 INTANGIBLE ASSETS

Initial Recognition

Intangible assets are initially recognised at cost and comprise of software acquired by the municipality.

At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to make use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Consultants will be appointed to itemize assets components where the useful life is different.

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

Subsequent Measurements

The cost of an intangible asset is depreciated over the useful life where that life is finite. Where the useful is indefinite, the asset is not depreciated but is subject to impairment tests.

Depreciation

Depreciation is charged so as to write off cost of intangible assets over their estimated useful lives, using the straight line method as follows:

Computer Software 5 years

1.8 IMPAIRMENT OF ASSETS

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

1.9 FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are initially recognised at fair value.

Subsequent Measurements

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables. Financial liabilities are categorised at fair value through profit or loss or financial liabilities carried amortisation cost. The subsequent measurement of financial assets and liabilities depends on categorisation and, in the absence of an approved GRAP standard on Financial instruments, is it terms of IAS39.

Debtors

Debtors are recognised at fair value and measured at amortised cost using the effective interest method, less provision for impairment (Bad Debt). A provision for impairment of debtors is established when there is objective interest evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Statement.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Creditors

Trade creditors and other payables are measured at fair value.

Cash and cash equivalents

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

Borrowing and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the municipality does not financial loans for trading purposes. Long term borrowings are utilised solely for capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payments that are not quoted in the active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position at cost.

1.10 INVESTMENTS

The Municipality classifies its investments in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-valuations this designation at every reporting date.

1.11 Inventories

Initial Recognition

Inventories are initially recognized at cost. Cost general refers to the purchase price, plus taxes, transport costs and any other cost in bringing the inventories to their current location and condition.

Subsequent Measurement

Consumable stores and maintenance materials are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the First in First out method.

1.12 Borrowing Costs

Borrowing Cost is recognised as an expense in the period in the Statement of Financial Performance.

1.13 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

1.14 RETIREMENTS BENEFITS

1.14.1 PENSION OBLIGATIONS

The municipality and its employees contribute to two pension funds that cater for the majority of the staff. The KZN Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of the retirement benefits are charged against revenue in the year they become payable. The defined funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

Defined contribution plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year it becomes payable. The defined contribution funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

1.15 REVENUE

Revenue comprises 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, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

1.15.1 Revenue from Exchange Transactions

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

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

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

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

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

1.15.2 Revenue from non-exchange transactions

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

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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

1.16 GRANTS, TRANSFERS AND DONATIONS

Income received from conditional grants, donations and subsidies is recognised 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 and funds are invested until utilised.

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

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.17 LEASES

Finance Leases – The Municipality as lessee

Finance leases are recognised as assets and liabilities in the statements 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.

Operating Leases – The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance over the period of the lease.

1.18 TAX

The municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.19 UNAUTHORISED EXPENDITURE

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

1.20 IRREGULAR EXPENDITURE

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

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 COMPARATIVE INFORMATION

1.22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.22.2 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 reason for the reclassification is disclosed.

2. Accumulated Surplus

Accumulated Surplus/Deficit

	Donations and Public Contributions					Accumulated Surplus/ (Deficit)
	Capital Replacement Reserve	Government Grants Reserve	Reserve	Capital Reserve	Total Reserves	
2010						
Balance at 1 July 2009	5,855,936	36,719,623	281,183	2,549,194	45,405,936	50,935,979
Change in Accounting Policy	-5,855,936	-56,395,061	-250,923	-3,800,592	-66,302,512	88,894
Transfer to Reserves		22,275,430		1,530,225	23,805,655	23,805,655
Transfer from Reserves		-2,599,992	-30,260	-278,827	-2,909,079	-2,909,079
Correction of Error		-				2,086,127
Surplus for the year						14,075,225
Property, Plant and Equipment purchases						-1,530,225
Capital grants used to purchase property, plant and equipment						-22,275,430
Offsetting of Depreciation						2,909,079
Balance as at 30 June 2010						67,186,225
2011						
Balance at 1 July, 2010						66,963,933
Change in Accounting Policy						-
Transfer to Reserves						33,011,736
Transfer from Reserves						-1,526,017
Transfer to Accumulated Surplus						1,740,328
Correction of Error						-945,328
Assets Transferred Distribution Account						
Surplus for the year						28,171,785
Property, Plant and Equipment purchases						-906,923
Capital grants used to purchase property, plant and equipment						-32,104,754
Offsetting of Depreciation						
Balance as at 30 June 2011						94,404,760

	2011 R	2010 R
3. Finance Lease Liability		
Non-current liabilities portion of finance lease	2,529,527	2,757,047
Local Registered Stock Loans	-	-
Provision for long service awards	2,529,527	2,757,047
Capitalised Lease Liability	-	-
Government Loans: Other	-	-
Less: Current portion transferred to Current Liabilities	1,156,128	890,484
Local Registered Stock Loans	-	-
Annuity Loans	-	-
Capitalised Lease Liability	1,156,128	890,484
Government Loans: Other	-	-
Total External Loans	3,685,655	3,647,531

Refer to Appendix A for more detail on Finance Lease Liabilities

The Capitalised lease liability is secured over the item of infrastructure leased over a period of five years at interest rate of 11% which is fixed for five year period of the Financial Lease Agreement

4. Provisions

Reconciliation of Provisions - 2011

	Opening Balance R	Additions R	Utilised during the year R	Closing Balance R
Current				
Leave pay	1,064,932	319,807	195,148	1,189,591
Current portion of long-service provision	-	-	-	-
Non-current				
Long-service awards	-	-	-	-
	1,064,932	319,807	195,148	1,189,591

Reconciliation of Provisions - 2010

	Opening Balance R	Additions R	Utilised during the Year R	Closing Balance R
Current				
Leave pay	741,732	369,176	45,976	1,064,932
Current portion of long-service provision	-	-	-	-
Non-Current				
Long-service awards	-	-	-	-
	741,732	369,176	45,976	1,064,932

Performance Bonus

All employees who are employed in accordance with the provisions of Section 57 of the Municipal Systems Act are required, in terms of their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. Employees are assessed quarterly and against the targets agreed and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in this assessment and is subject to the approval of the Municipal Manager

5. RETIREMENT BENEFIT INFORMATION

Defined Contribution Plan

The Council provides retirement benefits to employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all permanent employees.

The personnel are members of the following pension funds:

Kwazulu-natal Joint municipal provident fund

Actuarial valuation as at 31 March 2010.

Results of valuation

The Fund self-insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience. The amount of R12, 779,000 is required to be held in the Risk Reserve Account. The market value of the assets exceeded the Liabilities by R17,651,000 or about 2,34% of the Share Account at the valuation date. At the previous valuation date it was a deficit.

The Investment Reserve Account far exceeds the deficit, so that the Fund is financially sound as at the valuation date.

Notes to the annual financial statements

Benefits:

: Pension age	65 years
: Earliest retirement age	58 years
: Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses.	
: Member's portion of full benefits - Initial transfer plus members contributions plus local authorities contributions for full benefits plus interim, special and final bonuses	
: Benefit on retirement after earliest retirement age or pension age - Full benefit.	
: Benefit on retirement because of ill health - Full benefit	
: Benefit on death in service - Full benefit plus 0,7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary.	

Contributions:

- : Members may choose to contribute at a rate of 5%,7% or 9,25% of their pensionable emoluments in terms of regulation 14(a)
 - : Participating employers contribute at a rate of 1,95 times of the rate of members contribution in terms of regulation 17(1)(b)
 - : Of the contribution by the Employer, 3,75% of pensionable emoluments is applied to meeting cost of the risk benefits and expenses

Benchmark: The benchmark asset allocation determined as being appropriate for the fund, which takes cognisance of membership and liability profile, is stated below

Domestic Investments:	753,288,000
International Investments	52,730,000
Risk Reserve Account	12,779,000
Unallocated Assets (deficit)	17,651,000
Membership	8,837

Natal Joint Pension Fund:

**Natal Joint Municipal Pension Fund:(Retirement)
Interim actuarial valuation**

An interim actuarial valuation was performed on 31 March 2010.

The market value of the Fund's assets was R 1,835,990 at 31 March 2010.

The DCF method of valuation has been applied for the purposes of determining the Fund's financial condition.

The funding level in respect of contributory members has deteriorated slightly reducing from 79,5% to 79,0%. The primary reason for this is that salary increases were higher than expected.

On the DCF funding level has improved and the overall shortfall has decreased. The valuation disclosed a surplus of R114.3 million in respect of pensioners and a shortfall of R243.2 million in respect of members.

The regulations of the fund have been amended with effect from 1 July 2004, so that the Committee of Management is able to levy a separate surcharge on local authorities which grant excessive salary increases, thereby causing a financial strain on the Fund to the detriment of other stakeholders.

The employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age will increase over time which, in turn, means that the required rate of contribution will also increase.

Thus, once the surcharge ceases, the underlying rate of contribution will not be sufficient to meet the cost of the benefits. It is necessary to set aside a reserve to hold assets equal to the expected shortfall. For this reason a "Contribution Reserve is held equal to the present value of the shortfall in terms of the Financial Services Board's Circular PF117 for the 5 years to 2015 when it is expected that the surcharge will cease.

Benefits:

: Members Contributions - 7% of Pensionable salaries plus a surcharge of 1,65 % of pensionable salary in respect of members who were members at 30 June 2002	
: Pension age	65 Years
: Final average Salary - Average annual pensionable salaries during the last year of service.	
: Pension on retirement at pension age - 2.1% of final average emoluments per year of continuous service.	
: Lump sum on retirement at pension age - 5.5% of final average emoluments per year of service.	
: Pension on retirement because of ill-health (minimum ten years continuous service) - Pension as for retirement at pension age	

- 2011
R
- 2010
R
- : Lump sum on retirement because of ill-health (minimum 10 years continuous service) - Lump sum as for retirement at pension age
 - : Lump sum on retirement because of ill health (less than ten years continuous service) - The greater of the resignation benefit or twice the members contributions
 - : Surviving Spouses pension on death in service - 1,05% of final average emoluments per year of continuous service that the member would have had at the pension age.
 - : Surviving Spouses pension on death of pensioner - 1,05% (0,77% in the case of a pensioner who retired before 1 July 1999) of final average emoluments per year of continuous service.
 - : Lump sum on death in service - Annual pensionable emoluments
 - : Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

Benchmark Investments Domestic International Membership

1,563,444,000
272,546,000
4,008

5.1 Non-Current Liability

Reconciliation of Provisions - 2011

Opening Balance	Additions	Utilised during the year	Closing Balance
R	R	R	R
299,233	10,373		309,606
299,233	10,373	-	309,606

Reconciliation of Provisions - 2010

Opening Balance	Additions	Utilised during the year	Closing Balance
R	R	R	R
-	299,233		299,233
-	299,233	-	299,233

6. Trade Creditors

Trade payables	825,384	6,467,227
Amounts received in advance	-	-
Retentions	378,215	1,493,330
Library Creditors	-	38,090
Other payables	-	65,395

Total Trade Creditors

1,203,599 8,064,042

7. Unspent conditional grants and receipts

7.1 Conditional Grants from other spheres of Government

Department of Provincial and Local Government-MSIG

Balance unspent at beginning of year	-	-
Adjustments	750,000	-
Current year receipts	(750,000)	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	-	-

Department of Provincial and Local Government-FMG

Balance unspent at beginning of year	566,061	791,594
Adjustments	-	-
Current year receipts	1,200,000	1,000,000
Conditions met - transferred to revenue	(1,454,969)	(1,225,533)
Conditions still to be met - remain liabilities	311,092	566,061

Department of Sports and Recreation - KwaZulu Natal - Sports Fields

Balance unspent at beginning of year	25,245	25,245
Adjustments	(25,245)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	-	25,245

Department of Transitional and Local Government Affairs-MAP

Balance unspent at beginning of year	384,508	518,654
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(258,623)	(134,146)
Conditions still to be met - remain liabilities	125,885	384,508

National Government - Municipal Infrastructure Grants - Access Roads

Balance unspent at beginning of year	1,147,646	1,147,646
Adjustments	-	-
Current year receipts	16,790,000	-
Conditions met - transferred to revenue	(17,937,646)	-
Conditions still to be met - remain liabilities	-	1,147,646

National Government - Equitable Share - Access Roads

Balance unspent at beginning of year	869,301	869,301
Adjustments	-	-
Current year receipts	-	-

Notes to the annual financial Statements

	2011 R	2010 R
Ndwedwe Small Factories		
Balance unspent at beginning of year	3,377,463	3,670,296
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(3,377,463)	(292,832)
Conditions still to be met - remain liabilities	<u>0</u>	<u>3,377,463</u>
	^	^
NDPG - Building		
Balance unspent at beginning of year	1,161,199	1,161,199
Adjustments	-	-
Current year receipts	9,261,368	-
Conditions met - transferred to revenue	(10,360,842)	-
Conditions still to be met - remain liabilities	<u>61,724</u>	<u>1,161,199</u>
	^	^
Conditional Grants from other spheres of Government	<u>907,781</u>	<u>7,531,424</u>
	^	^

7.2 Other Conditional Receipts - Operating

Land Use Management System		
Balance unspent at beginning of year	60,661	115,000
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(54,339)
Conditions still to be met - remain liabilities	<u>60,661</u>	<u>60,661</u>
	^	^
MFMA		
Balance unspent at beginning of year	-	-
Adjustments	50,324	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	<u>50,324</u>	<u>-</u>
	^	^
MPRA Grant		
Balance unspent at beginning of year	323,519	385,855
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(62,336)
Conditions still to be met - remain liabilities	<u>323,519</u>	<u>323,519</u>
	^	^
Municipal Development Planning		
Balance unspent at beginning of year	41,492	100,154
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(58,661)
Conditions still to be met - remain liabilities	<u>41,492</u>	<u>41,492</u>
	^	^
Audit Committee and Internal Control		
Balance unspent at beginning of year	65,562	130,560
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(34,759)	(64,998)
Conditions still to be met - remain liabilities	<u>30,803</u>	<u>65,562</u>
	^	^
CDW/LED Grant		
Balance unspent at beginning of year	22,503	88,792
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(66,289)
Conditions still to be met - remain liabilities	<u>22,503</u>	<u>22,503</u>
	^	^
Valuation Roll		
Balance unspent at beginning of year	438,099	438,099
Adjustments	1,179	-
Current year receipts	-	-
Conditions met - transferred to revenue	(261,769)	-
Conditions still to be met - remain liabilities	<u>177,509</u>	<u>438,099</u>
	^	^
Nhlangakazi Project		
Balance unspent at beginning of year	169,116	169,116
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	<u>169,116</u>	<u>169,116</u>
	^	^
Technical Support MIIPS		
Balance unspent at beginning of year	10,000	10,000
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	<u>10,000</u>	<u>10,000</u>
	^	^

Notes to the annual financial Statements

Conditions met - transferred to revenue
Conditions still to be met - remain liabilities

<u>(460,222)</u>	<u>-</u>
<u>409,079</u>	<u>869,301</u>

Notes to the annual financial Statements

	2011 R	2010 R
Synergistic Partnership/Amakhosi		
Balance unspent at beginning of year	101,490	315,390
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(39,400)	(213,900)
Conditions still to be met - remain liabilities	<u>62,090</u>	<u>101,490</u>
	^	^
Basic Booking		
Balance unspent at beginning of year	1,179	3,867
Adjustments	(1,179)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	(2,688)
Conditions still to be met - remain liabilities	<u>-</u>	<u>1,179</u>
	^	^
Bhamshela Nodal Development		
Balance unspent at beginning of year	981,459	1,137,494
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(320,284)	(156,035)
Conditions still to be met - remain liabilities	<u>661,175</u>	<u>981,459</u>
	^	^
Library Cybercadet		
Balance unspent at beginning of year	-	38,909
Adjustments	108,000	-
Current year receipts	-	-
Conditions met - transferred to revenue	(33,155)	(38,909)
Conditions still to be met - remain liabilities	<u>74,845</u>	<u>-</u>
	^	^
Multi Purpose Hall (CDC)		
Balance unspent at beginning of year	295,333	295,333
Adjustments	(295,333)	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	<u>-</u>	<u>295,333</u>
	^	^
Kwaloswe Tourism Project		
Balance unspent at beginning of year	211,200	1,000,000
Adjustments	-	-
Current year receipts	(3,671)	(788,800)
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	<u>207,529</u>	<u>211,200</u>
	^	^
Governance and Administration Expert		
Balance unspent at beginning of year	725,000	-
Adjustments	-	-
Current year receipts	(106,730)	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities	<u>618,270</u>	<u>-</u>
	^	^
Housing Grant		
Balance unspent at beginning of year	567,335	-
Adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	(374,945)	-
Conditions still to be met - remain liabilities	<u>192,390</u>	<u>-</u>
	^	^
Sub-Total other conditional receipts-operating	<u>2,702,227</u>	<u>2,721,614</u>
	^	^
Total Conditional Grants and receipts	<u>3,610,006</u>	<u>10,253,037</u>
	^	^
7.3 Government grants and Subsidies		
Equitable Share	43,443,273	32,685,515
Municipal Infrastructure Grant and other Capital Grants	21,839,846	17,243,609
Department of Co-operative Governance and Traditional Affairs KZN	2,911,835	4,412,551
Department of Finance- National Treasury	11,219,629	2,032,075
Grant Subsidy-iLembe District Municipality	1,000,000	-
	<u>80,414,582</u>	<u>56,373,750</u>
	^	^
8. CASH AND CASH EQUIVALENTS		
Refer to Note 36 for details on Bank accounts and balances		
Cash and cash equivalents consist of:		
Cash on hand	1,000	1,000
Bank Balances	829,870	2,173,226
Bank Balances and Cash on hand	830,870	2,174,226
Bank Overdraft	-	-
	<u>830,870</u>	<u>2,174,226</u>
	^	^
Short Term Investments		
Unlisted		
Short term Deposit - Standard Bank	-	2,451,623
Short term Deposit - First National Bank	1,807,637	9,434,019
Short term Deposit - ABSA	898,108	5,149,253
Short term Deposit - Investec	73,392	-
Cash and Cash equivalents	<u>2,779,136</u>	<u>17,034,895</u>
	^	^
	<u>3,610,006</u>	<u>19,209,121</u>
	^	^

9. Property, Plant and Equipment

	2011		2010	
	R	R	R	R
Cost / Valuation	13,535,693	13,156,535	13,415,088	802,510
Accumulated Depreciation	3,779,158	3,779,158	3,779,158	3,779,158
Carrying Value	9,756,535	9,377,377	9,635,930	4,242,852
Land and Buildings	54,449,689	51,071,687	33,544,899	1,872,950
Infrastructure	28,536,141	26,385,076	18,590,603	1,627,375
Community	10,054,900	6,185,302	9,527,868	5,480,444
Other Assets	404,474	221,171	404,474	102,266
Vehicles				302,266
Total	105,980,897	12,376,627	94,704,270	9,885,085

Reconciliation of Property, Plant and Equipment - 2011

	Opening Balance		Additions		Disposals		Transfers		Prior Period Error		Work-in-Progress		Accumulated Depreciation		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings	13,416,088	120,535	15,120,535	-	-	-	-	-	-	-	5,885,442	3,779,158	13,156,535	3,779,158	13,156,535	13,156,535
Infrastructure	18,590,603	1,627,375	18,590,603	-	-	-	-	-	-	-	1,627,375	1,627,375	18,590,603	1,627,375	18,590,603	18,590,603
Community	9,527,868	8,470,561	9,527,868	-	-	-	-	-	-	-	1,484,876	2,151,064	9,527,868	2,151,064	24,385,976	24,385,976
Other Assets	9,885,085	1,371,406	9,885,085	-	-	-	-	-	-	-	-	6,185,302	9,885,085	6,185,302	3,869,598	3,869,598
Specialised Vehicles	404,474	-	404,474	-	-	-	-	-	-	-	-	-	404,474	-	183,101	221,373
Total	75,577,903	24,882,050	94,704,270	-	-	-	-	-	-	-	7,370,319	12,276,627	94,704,270	12,276,627	94,704,270	94,704,270

Reconciliation of Property, Plant and Equipment - 2010

Land and Buildings	5,176,100	7,852,726	3,286,234	802,510	12,612,550
Infrastructure	22,958,014	8,283,796	3,236,027	1,872,550	31,672,347
Community	12,193,342	753,699	2,294,000	1,627,375	16,953,229
Other Assets	8,746,317	887,546	-	5,480,444	4,152,424
Special Vehicles	404,474	-	-	102,266	302,266
Total	49,478,247	17,777,767	2,294,000	6,961,824	65,692,818

Refer to Appendix B for more detail on Property, Plant and Equipment, including those in the course of construction

As at 30 June 2011 the municipality has assessed items of other assets excluding land and buildings for impairment and revaluation

Land and buildings were revalued to fair value by using depreciated replacement values. The effective date of the revaluation was 30 June 2009. The revaluation was done by Property Valuers, registered and independent valuers. The NHRB indices, which indicate current building costs, were used to determine replacement values

The municipality has taken advantage of the Accounting Standards Board's Directive 4 (Transitional Provision for the Adoption of Standards of GAAP for Medium and Low Capacity Municipalities - Dated February 2008) with regards to GRAP 17 Property Plant and Equipment and GRAP 102 Intangible Assets.

The prior period error was as a result of oversight now being disclosed and depreciation has calculated retrospectively

10. INTANGIBLE ASSETS

	2011		2010	
	R	R	R	R
Cost	1,606,159	61,812	1,592,504	1,592,504
Accumulated amortisation	1,606,159	61,812	1,544,347	1,592,504
Carrying Value	-	-	47,857	1,592,504
Total	1,606,159	61,812	1,544,347	1,592,504

Reconciliation of Intangible Assets - 2011

	Opening Balance		Additions		Disposals		Transfers		Prior Period Error		Work-in-Progress		Total	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Services	1,592,504	13,655	-	-	-	-	-	-	-	-	-	-	61,812	1,544,347
Computer Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,592,504	13,655	-	-	-	-	-	-	-	-	-	-	61,812	1,544,347

Reconciliation of Intangible Assets - 2010

Services	1,592,504	-	-	-	-	-	-	-	-	-	-	-	-	1,592,504
Computer Software	1,592,504	-	-	-	-	-	-	-	-	-	-	-	-	1,592,504
Total	1,592,504	-	-	-	-	-	-	-	-	-	-	-	-	1,592,504

At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Once unbundling is completed assets will be depreciated retrospectively.

The Municipality in terms of GRAP 102 Intangible Assets do not hold any heritage assets at present

	2011 R		2010 R
	Gross Balances R	Provision for bad debts R	Net Balances R
11. Consumer Debtors			
As at June 2011			
Service Debtors			
Assessment Rates	1,702,859	804,054	898,806
Other Revenue	-	-	-
	<u>1,702,859</u>	<u>804,054</u>	<u>898,806</u>
	^	^	^
As at June 2010			
Service Debtors			
Assessment Rates	2,249,654	-	2,249,654
Other	-	-	-
	<u>2,249,654</u>	<u>-</u>	<u>2,249,654</u>
	^	^	^
Assessment Rates: Ageing			
Current (0 - 30 days)		184,499	-
31 - 60 Days		148,228	490,263
61 - 90 days		112,444	-257,630
91 - 120 Days		-433,270	84,950
121 - 365 Days		1,690,956	1,931,971
		<u>1,702,856</u>	<u>2,249,654</u>
		^	^

Accounts receivables (rates debtors) are discounted using prime rate plus 2 payment period estimated to be from 1 to 8 years

Summary of Debtors by Customer Classification	Consumers	Industrial/ Commercial	National and Provincial Government
	R	R	R
As at June 30, 2011			
Current (0 - 30 days)	26,106.59	144,893.42	13,499.24
31 - 60 days	23,188.43	112,862.36	12,176.73
61 - 90 days	25,874.53	118,542.84	-31,973.44
91 - 120 days	24,909.40	114,363.36	-572,543.16
121 - 365 Days	517,534.69	983,428.89	189,992.50
	<u>617,613.64</u>	<u>1,474,090.87</u>	<u>-388,848.13</u>
Sub-total			
less Provision for bad debts	-	-	-
	<u>617,613.64</u>	<u>1,474,090.87</u>	<u>-388,848.13</u>
	^	^	^
As at June 30, 2010			
Current (0 - 30 days)			
31 - 60 days	12,144.68	541.65	477,576.42
61 - 90 days	12,142.82	541.69	-270,314.17
91 - 120 days	12,144.68	541.65	72,263.47
121 - 365 Days	109,292.82	4,875.01	1,817,903.48
	<u>145,725.00</u>	<u>6,500.00</u>	<u>2,097,429.20</u>
Sub-total			
less Provision for bad debts	-	-	-
	<u>145,725.00</u>	<u>6,500.00</u>	<u>2,097,429.20</u>
	^	^	^

Notes to the annual financial statements

12 Debtors

Accrued Revenue	17,683	162,103
Other Debtors	137,585	139,413
Distribution Account-KDM	1,078,127	-
	<u>1,233,395</u>	<u>301,516</u>
	^	^

13. VAT

NET VAT RECEIVABLE	<u>2,412,394</u>	<u>1,469,385</u>
--------------------	------------------	------------------

14. Assessment Rates

Rates Raised

Residential	2,660,689	2,532,566
Commercial	-	-
State	-	-
Agriculture	-	-
	<u>2,660,689</u>	<u>2,532,566</u>
	^	^

Valuations

Residential (Including Agriculture Residential)	14,172,000	19,869,000
Agriculture (Residential/Commercial)	17,070,000	17,200,000
Commercial	230,000	230,000
Agriculture	419,058,000	419,058,000
Institutional	168,816,000	168,816,000
Special Purposes	1,470,000	1,470,000
State/PSI	59,924,000	59,924,000
Municipal	-	-
	<u>680,740,000</u>	<u>686,567,000</u>
	^	^

The municipal valuations and property rates was implemented with effect 1 July 2009 in terms of Municipal Property Rates Act.

Valuations on land and buildings are performed every four years. The first valuation roll came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes on individual property values due to alterations, consolidation, subdivisions and new township development. Various rates in the Rand were applied in accordance with category determined in terms of the Municipal Property Rates Act. Rebates applicable were applied in line with the municipal property rates policy Rates are levied on a monthly basis in terms of municipal rates policy and interest is charged on outstanding amounts as determined by the municipality in terms of rates policy and tariff of charges

15. Other Income

Interest earned - External Investments	1,064,009	2,287,885
Interest earned - Outstanding Debtors	50,383	-
Profit on sale of assets	166,149	-
Other Income	207,775	457,887
	<u>1,488,315</u>	<u>2,745,772</u>

	2011 R	2010 R
16. Employee related costs		
Employee related cost - Salaries and Wages	13,599,119	11,303,251
Bonus	173,315	-
Employee related cost - Contributions, UIF, Pension and Medical Aids	2,710,854	2,362,769
Travel, motor car and other allowances	1,052,206	938,488
Housing Benefits and allowances	184,811	170,632
Overtime and relief payments	435,638	257,976
	<u>18,155,943</u>	<u>15,033,116</u>
	^	^
There were no advances to employees.		
Included in the employee related costs are the following:		
Remuneration of the Municipal Manager		
Annual Remuneration	671,351	604,800
Housing Allowance	60,000	60,000
Performance Bonus	62,784	-
Car Allowance	120,000	120,000
Contributions to UIF, Pension and Medical Aid	1,497	1,497
	<u>915,632</u>	<u>786,297</u>
	^	^
Remuneration of Individual Head of Departments		
Chief Financial Officer		
Annual Remuneration	480,224	437,183
Housing Allowance	-	-
Performance Bonus	45,004	-
Car Allowance	60,000	60,000
Contributions to UIF, Pension and Medical Aid	71,521	67,890
	<u>656,748</u>	<u>565,073</u>
	^	^
Infrastructure Services		
Annual Remuneration	443,684	405,948
Housing Allowance	-	-
Performance Bonus	31,774	-
Car Allowance	129,528	121,977
Contributions to UIF, Pension and Medical Aid	54,974	51,272
	<u>659,960</u>	<u>579,197</u>
	^	^
Corporate Services		
Annual Remuneration	392,102	416,189
Housing Allowance	-	-
Performance Bonus	-	-
Car Allowance	116,438	121,977
Contributions to UIF, Pension and Medical Aid	1,248	998
	<u>509,787</u>	<u>539,164</u>
	^	^
Economic and Community Services		
Annual Remuneration	421,947	388,930
Housing Allowance	-	-
Performance Bonus	33,753	-
Car Allowance	123,101	112,843
Contributions to UIF, Pension and Medical Aid	66,696	61,726
	<u>645,497</u>	<u>563,499</u>
	^	^
17. Remuneration of councillors		
Total Councillors Remuneration		
Mayor	519,167	483,771
Deputy Mayor	192,645	177,674
Speaker	254,470	227,739
Executive Councillors	760,337	669,141
Councillors	3,666,211	3,272,527
Councillors pension contributions	483,088	516,614
Telephone allowances	406,373	373,950
Traveling Allowances	716,352	691,836
Medical Aid Contributions	174,271	173,935
	<u>7,172,912</u>	<u>6,587,187</u>
	^	^
In kind benefits		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the council which is included with other expenditure in the Statement of Financial Performance		
The Mayor has use of a council owned vehicle for official duties.		
The Mayor has a full time body guard and driver		
18. Finance Cost		
Interest Paid - Finance liabilities	588,021	620,918
Finance Cost - Fair value adjustments	-	-
	<u>588,021</u>	<u>620,918</u>

	2011 R	2010 R
19. Provisions		
Leave Provisions	319,807	369,176
Provision for bad debts	804,054	
Long service awards	10,373	
Total Provisions	<u>1,134,234</u>	<u>369,176</u>
	^	^
20. General Expenses		
Electricity and water	323,829	
Insurance	226,116	
Fuel and Oil	747,957	
Free Basic Services	113,350	
Audit Fees	1,345,046	
Conditional Grants	3,563,081	
Other Expenses	13,510,817	20,206,581
	<u>19,830,196</u>	<u>20,206,581</u>
	^	^
21. Cash Generated by Operations		
Surplus/(Deficit) for the year	28,171,785	14,075,326
Adjustments for:	-31,292,597	787,834
Depreciation - PPE	-32,532,109	2,909,079
Contributions PPE	166,149	
Profit on Sale of Assets - PPE	-1,064,009	-2,287,885
Investment Income	588,021	620,918
Finance Charges	-	-131,078
Reversals	-	
Provision for non-current liability	-10,373	
Movements in provisions	-124,659	-323,200
Non-Cash Items	880,329	
Contributions to Bad Debt provision	804,054	
	<u>-12,679,905</u>	<u>-14,929,131</u>
	^	^
Changes in working capital		
Decrease in Inventories	-	-
(Increase)/decrease in Consumer Receivables	546,795	2,249,654
(Increase)/decrease in Accounts Receivables	-931,879	28,795
(Decrease)/Increase in Conditional Grants and receipts	-6,643,031	-7,685,452
Increase/(Decrease) in Current Portion of Long Term Liabilities	265,644	-106,908
Increase in Deposits	-	
Increase/(Decrease) in Accounts Payable and other Creditors	-6,860,443	-6,583,712
Decrease in Provisions	-	
Increase in VAT	943,009	-2,831,508
	<u>-15,800,718</u>	<u>-65,971</u>
	^	^
Cash generated from /(utilised in) operations		
	<u>12,371,067</u>	<u>7,106,195</u>
	^	^
22. Utilisation of Long-term Liabilities Reconciliation		
Long-term liabilities (See note 3)	1,156,128	890,484
Used to finance property, plant and equipment - at cost	1,156,128	890,484
Sub-total	<u>1,156,128</u>	<u>890,484</u>
	^	^
Cash set aside for the repayment of long-term liabilities		
	-	-
	^	^
23. Commitments		
23.1 Commitments in respect of capital expenditure		
- Approved and Contracted for		
Infrastructure	4,456,164	3,462,755
Community	916,920	236,445
Other property, plant and equipment	-	-
Land and Buildings	8,521,386	4,538,662
	<u>13,894,470</u>	8,237,862
	^	^
- Approved but not yet Contracted for		
Infrastructure	22,544,000	18,084,000
Community	2,530,000	1,108,000
Other property, plant and equipment	550,000	406,000
Land and Buildings	21,900,000	17,555,000
	<u>47,524,000</u>	<u>37,153,000</u>
	^	^
- This expenditure will be financed from:		
Government Grants	59,718,469	40,959,862
Own resources	1,700,000	4,431,000
External Finance Fund	-	-
	<u>61,418,469</u>	<u>45,390,862</u>
	^	^

	2011 R	2010 R
24. Commitments Operation Leases/ Finance Leases - as lessee (Expenditure)		
24.1 Operating Leases		
The future minimum lease payments payable under operating leases are as follows:		
- With in one year	127,129	127,129
- In second to fifth year inclusive	85,871	213,000
- Later than five years		
	<u>213,000</u>	<u>340,129</u>
	^	^
24.2 Finance Leases		
Vehicles & Plant		
Minimum lease payments due		
- With in one year	1,701,887	1,396,119
- In second to fifth year inclusive	3,903,432	4,746,389
- Later than five years		
The comparatives have been restated to provide more accurate information		
25. Financial Instruments		
25.1 Debtors:		
Consumer	898,806	2,249,654
Other Debtors	1,233,395	300,484
VAT	2,412,394	948,329
Sub-Total	<u>4,544,595</u>	<u>3,498,467</u>
Less: Provision for Bad Debts	804,054	-
Sub-Total	<u>3,740,541</u>	<u>3,498,467</u>
	^	^
Credit risk is the risk the counterparty to a financial instrument will default on its obligation to the municipality, thereby causing financial loss to the municipality. All receivable balances are monitored on an ongoing basis with the result that the municipality's exposure to bad debts is not significant. The maximum exposure to credit risk is represented by the carrying value of each financial assets in balance sheet		
25.2 Creditors -		
Payables	-825,384	-6,467,227
Deposits		
Sub-Total	<u>-825,384</u>	<u>-6,467,227</u>
Trade payables are exposed to market related interest risk however as a control measure all payables are settled within 30 days of receipt of invoice and therefore are disclosed at the settlement amount.		
25.3 Borrowings -		
Financial Lease - 3 yrs	-2,529,527	-2,757,047
Current Portion	-1,156,128	-890,484
Sub-Total	<u>-3,685,655</u>	<u>-3,647,531</u>
The finance lease liabilities consist of a Financial Lease with First National Bank (Wesbank) for the purchase of Vehicles and the installment paid on monthly basis over period of five years		
25.4 Bank and Cash - Balance	<u>830,870</u>	<u>2,174,226</u>
Interest rate is the risk that the value of the financial instrument will fluctuate owing to changes in market interest rates.	830,870	2,174,226
Total	<u>864,426</u>	<u>-4,442,065</u>
	^	^

	2011 R	2010 R
26. Contingencies		
Contractual Disputes There were no contractual disputes during the year and none outstanding		
Labour Related Disputes Case of former Manager Administration is scheduled for labour court and contingent costs confirmed by municipal attorney	100,000	
27. Related parties		
Related parties transactions		
Sub-Lease Payments		
The municipality has no related party transactions		
28. Corrections of Prior Year Errors		
The following adjustments were made to amounts previously reported in the annual financial statements:		
The amount related to expenditure and not assets. The effect on the statement of financial position and accumulated surplus as follows:		
Decrease in PPE		633
Decrease in accumulated surplus		633
External consultants were appointed to conduct a VAT reconciliation for 2009/10, and it was found that there was an under recovery of R3 345 073. The return submitted resulted in a VAT audit by SARS which further reduced the amount claimable to R992 500. SARS had further disallowed 20% of the refund due to the municipality which is R470 591.40. The amended claim was settled between the Municipality and SARS		
The effect on the statement of financial position and accumulated surplus as follows:		
Increase in Vat receivable		521,525
Decrease in accumulated surplus		-521,525
The effect on the statement of financial position and accumulated surplus as follows:		
The municipality has not accounted for the long service awards as required by IAS 19.		
Increase in long service awards		299,233
Decrease in accumulated surplus		-299,233
29. Post Reporting Date Events		
No post balance sheet event		

Notes to the annual financial statements

	2011 R	2010 R
30. Unauthorised, irregular, fruitless and wasteful expenditure		
Disallowed		
Unauthorised expenditure	3,791,177	
The municipality incurred an over expenditure on grants which contravened the definition of unauthorised expenditure in terms of the MFMA.	<u>3,791,177</u>	<u>-</u>
	^	^
Irregular expenditure		394,236
Irregular expenditure on goods procured from Thandokuhle stores, reason being they were the only local shop on supplier's data base during the year no recovery will take place because goods were used for service delivery		
An irregular expenditure occurred during the year, this was due to non-completion of declaration of interest forms (MBD) by bidders who were awarded bids above R10 000 going forward the SCM unit shall ensure that these forms are completed at all times	621,607	
A total of about 25 service providers appointed by the municipality during the year were found to be in the service of the State which is contravention of SCM regulations	2,648,183	
	<u>3,269,790</u>	<u>394,236</u>
	^	^
Fruitless and wasteful expenditure		
The are no known incidences of fruitless and wasteful expenditure		
31. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to Organised local government		
Council subscriptions	131,746	34,800
Amount paid - current year	131,746	34,800
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
	^	^
Audit Fees		
Current year audit fee	908,873	581,837
Amount paid current year	908,873	581,837
Amount paid previous year	-	-
Balance unpaid (Included in creditors)	<u>-</u>	<u>-</u>
	^	^
PAYE and UIF		
Current year payroll deductions	3,491,228	2,598,384
Amount paid - current year	<u>3,491,228</u>	<u>2,598,384</u>
Balance unpaid (Included in creditors)	<u>-</u>	<u>-</u>
	^	^
Pension and Medical Aid Deductions		
Current year payroll deductions and council contributions	2,409,453	1,239,660
Amount paid - current year	<u>2,409,453</u>	<u>1,239,660</u>
Balance Unpaid (Included in creditors)	<u>-</u>	<u>-</u>
	^	^

32. COMPARATIVE FIGURES

The following categories of comparative figures have been reclassified

Refer to statement of comparatives for more details

33. TAXATION

None

34. BANK BALANCES

Account number - Bank -Account Description	Cash Book		Bank Statement		Cash Book		Bank Statement	
	Balance	30	Balance	30	Balance	30	Balance	30
	June 2011	June 2011	June 2011	June 2011	June 2010	June 2010	June 2010	June 2010
62027922930 - First National Bank- Cheque Account		829,870		829,870	2,173,226		2,167,906	
		<u>829,870</u>		<u>829,870</u>	<u>2,173,226</u>		<u>2,167,906</u>	
		^		^	^		^	

APPENDIX B
 NQWEDWE LOCAL MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
 30 JUNE 2011

	Opening Balance R	Cost/Revaluation Additions R	Under Construction R	Disposal R	Transfers/ adjustments R	Closing Balance R	Opening Balance R	Impairment/ Depreciation R	Disposals R	Transfers/ adjustments R	Closing Balance R	Carrying Value R	Budget Additions R
Land and Buildings													
Land	13 415 058	120 635	-	-	-633	13 535 693	802 510	255 939	-	679 292	379 158	13 156 535	-
Buildings	13 415 058	120 635	-	-	-633	13 535 693	802 510	255 939	-	679 292	379 158	13 156 535	-
Infrastructure													
Roads and Stormwater	32 472 093	13 608 821	4 268 586	-	-	50 349 501	1 775 222	1 495 310	-	30 291	3 240 242	47 109 259	-
Car Parks	686 022	168 300	1 462 809	-	-	854 822	8 979	22 839	-	-	31 818	822 504	-
Electricity	299 974	-	154 047	-	-	1 762 783	3 694	13 311	-	-	97 966	1 664 817	-
Other	86 810	1 242 226	-	-	-	1 483 083	3 694	4 282	-	-	7 976	1 475 107	-
Community Assets													
Sports Fields	33 544 899	15 019 347	5 885 442	-	-	54 449 689	1 872 550	1 535 743	-	30 291	3 378 002	51 071 687	-
Community Halls	5 093 488	-	-	-	-	5 093 488	438 500	198 945	-	-	637 445	4 456 043	-
Libraries	9 174 869	5 036 571	1 484 876	-	-3 464 821	15 696 517	801 938	87 470	-	-	889 358	14 806 958	-
Clinics	3 439 085	60 004	-	-	-	3 499 089	343 909	114 656	-	-	458 545	3 040 544	-
Recreational Facilities	817 021	-	-	-	-	817 021	43 028	27 234	-	-	70 262	746 759	-
Other	56 140	37 006	-	-	-	93 146	1 715	1 715	-	-	1 715	91 431	-
		3 337 079	-	-	-	3 337 079	93 738	93 738	-	-	93 738	26 385 076	-
Heritage Assets													
Historical Buildings	18 580 603	8 470 661	1 484 876	-	-3 464 821	28 536 141	1 627 375	523 689	-	-	2 151 064	-	-
Museum	-	-	-	-	-	-	-	-	-	-	-	-	-
Painting and Art Galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets													
Other Motor Vehicles	3 602 673	927 683	-	-890 402	-	3 639 953	2 125 771	526 809	872 095	-	1 778 485	1 859 469	-
Plant and Equipment	2 867 652	20 342	-	-58 972	-	2 887 994	880 403	491 997	-	-	1 332 400	1 555 594	-
Office Equipment	3 115 864	423 381	-	-	-	3 480 274	2 505 294	598 087	42 274	-	3 061 107	415 166	-
Security Measures	46 679	-	-	-	-	46 679	8 976	2 334	-	-	11 310	35 369	-
Specialist Vehicles													
Buses	9 632 868	1 371 406	-	-949 374	-	10 054 900	5 480 444	1 619 227	914 369	-	6 185 302	3 869 598	-
Other	404 474	-	-	-	-	404 474	102 206	80 895	-	-	183 101	221 373	-
Inangible Assets													
Software	1 592 504	13 655	-	-	-	1 606 159	102 206	80 895	-	-	183 101	221 373	-
	1 592 504	13 655	-	-	-	1 606 159	102 206	80 895	-	-	183 101	221 373	-
Total	77 170 407	24 995 705	7 370 319	-949 374	-3 465 455	108 587 056	9 885 085	4 077 306	914 369	709 582	12 338 440	96 248 616	

APPENDIX A
NDWEDWE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS
30 JUNE 2011

Other Costs in Accordance with the MFMA
3,685,655
3,685,655
3,685,655

APPENDIX C
 NDWEDWE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
 30 June 2011

	COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions	Under Construction	Deposits	Transfer/Adjustments	Closing Balance	Opening Balance	Additions	Deposits/Adjustment	Closing Balance	
Executive and Council	382,817	4,762,000	-	-	-	5,144,817	356,607	122,584	914,369	-435,178	5,579,995
Finance	1,806,821	342,019	-	-	-	2,148,840	825,972	283,929	-	1,109,901	1,038,939
Infrastructure Services: Technical	41,711,264	19,798,580	7,370,318	949,374	3,465,455	67,930,788	2,415,528	830,342	30,289	3,245,870	64,684,918
Economic Planning & Development	33,265,969	93,106	-	-	-	33,359,075	6,283,442	2,159,943	-	8,413,096	24,945,979
Other Assets	3536	-	-	-	-	3,536	3,536	1,216	-	4,752	-1,216
Total	77,170,407	24,995,705	7,370,318	949,374	3,465,455	108,587,056	9,885,085	3,398,014	944,658	12,338,443	96,248,613

APPENDIX D
 NDWEDWE LOCAL MUNICIPALITY:
 STATEMENT OF FINANCIAL PERFORMANCE (PER VOTE)
 AS AT 30 June 2011

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/(Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/(Deficit) R
560,268	7,306,201	-7,306,201	Executive and Council	-	8,013,741	-8,013,741
39,631,914	6,746,975	-6,186,707	Municipal Manager	13,442,501	11,667,971	1,774,530
201,969	6,248,953	33,382,961	Finance	53,794,556	16,697,888	37,096,668
1,919,621	12,179,097	-11,977,128	Corporate Services	-	12,735,474	-12,735,474
19,897,239	10,028,061	-8,108,440	Economic and Community Services	2,762,457	6,794,532	-4,032,075
	5,626,498	14,270,741	Infrastructure Services	19,429,846	5,347,972	14,081,874
62,211,011	48,135,785	14,075,226	Total	89,429,360	61,257,576	28,171,783

APPENDIX E (1)
 NDWEDWE LOCAL MUNICIPALITY:
 ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
 FOR THE YEAR ENDED 30 JUNE 2011

REVENUE	2011 Actual (R.)	2011 Budget (R.)	2011 Variance (R.)	2011 Variance (%)
Services Charges	2,660,689	3,038,703	-378,014	-12.44
Rental of facilities and equipment	69,117	230,000	-160,883	-69.95
Interest Earned - External Investments	1,064,009	3,000,000	-1,935,991	-64.53
Interest Earned - Outstanding Debtors	50,383	250,000	-199,617	-79.85
Government Grants and Subsidies	79,414,582	82,016,000	-2,601,418	-3.17
Other Grants	1,000,000	1,000,000	-	-
Other income	493,924	250,000	243,924	97.57
Total Revenue	84,752,704	89,784,703	-4,832,382	-5.38
Expenditure				
Executive and Council	8,013,741	7,844,591	-169,150	-2.16
Municipal Manager	11,667,971	7,983,829	-3,684,142	-46.15
Finance	12,021,231	7,242,861	-4,778,370	-65.97
Corporate Services	12,735,474	14,340,926	-1,605,452	-11.19
Economic and Community Services	6,794,532	7,351,814	-557,282	-7.58
Infrastructure Services	5,347,972	7,867,682	-2,519,710	-32.03
Total Expenditure	56,580,919	52,631,703	-3,949,218	-7.50
NET SURPLUS/(DEFICIT) FOR THE YEAR	28,171,784	37,153,000	-883,164	-

APPENDIX E (1)
NDWEDWE LOCAL MUNICIPALITY:
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2011

Explanation of Significant Variances

APPENDIX E (2)
 NDWEDWE MUNICIPALITY: ACTUAL VERSUS BUDGET
 (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
 FOR THE YEAR ENDED 30 JUNE 2011

Description	2011	2011	2011	2011	2011	2011	Explanation of Significant Variances
	Actual (R.)	Under Construction	Total Additions	Budget (R.)	Variance (R.)	Variance (%)	
Executive and Council	-	-	-	-	-	-	
Municipal Manager	4,762,030	-	4,762,030	15,000,000	-10,237,970	-68.25	Slow expenditure on construction of civic centre, some projects are in planning stage
Finance	-	-	-	-	-	-	
Corporate Services	342,019	-	342,019	497,000	-154,981	-31.18	
Economic Development and Planning	93,106	-	93,106	1,188,000	-1,094,895	-92.16	slow expenditure on construction mini factories
Infrastructure Services	20,444,203	7,370,319	27,814,522	21,238,000	6,576,522	30.97	
Total	25,641,358	7,370,319	33,011,677	37,923,000	-4,911,323	-12.95	

APPENDIX E (2)
NDWEDWE MUNICIPALITY: ACTUAL VERSUS BUDGET
(ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on accrual basis in accordance with the Standards of Generally Recognised Accounting Practise (GRAP). The Financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GRAP issued by the Accounting Standards Board during the financial year. The GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 27

The Standards comprise the following:

- GRAP 1 Presentation of the Financial Statements
- GRAP 2 Cash flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The effects of Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Cost
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investments in Associates
- GRAP 8 Investments in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP10 Financial Reporting in Hyperinflationary Economics
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases (GRAP13)
- GRAP 14 Events After The Reporting Date
- GRAP 16 Investment Properties
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 101 Agriculture
- GRAP 102 Intangible Assets

Accounting policies for material transactions, events or conditions not recovered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SAGAAP) including any interpretations of such Statements issued by the Accounting Practises Board.

Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in the accounting policy arising from the implementation of GRAP is set out in the statement in accounting policy. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by the Standards of GRAP.

The municipality has taken advantage of the Accounting Standards Board Directive 4 (Transitional Provision for the adoption of Standards of GRAP by Medium and Low Capacity Municipalities – Dated February 2008) with regards to GRAP 17 Property Plant and Equipment and GRAP 102 Intangible Assets.

Directives issued and effective:

Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments

Directive 2: Transitional Provisions for the adoption of Standards of GRAP by entities, and Constitutional Institutions

Directive 3: Transitional Provisions for the adoption of Standards of GRAP by High Capacity Municipalities

Directive 4: Transitional Provisions for the adoption of Standards of GRAP by Medium and Municipalities

Directive 5: Determining the GRAP reporting Framework

Directive 7: The adoption of Deemed Cost on the Adoption of Standards of GRAP

Approved Guidelines of Standards of GRAP:

Guide 1 Guideline on Accounting for Public Private Partnerships

Effective accrual based IPSAS's considering the provisions in paragraphs 15 to 19 of the Directive:

IPSAS 20 Related Party Disclosure

IPSAS 21 Impairment of Non-Cash-Generating Assets

Effective IFRS's and IFRIC's that are applied considering the provisions in paragraphs 20 to 26 of the Directive:

IFRS 3 (AC 140) Business Combinations

IFRS 4 (AC 141) Insurance Contracts

IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources

IFRS 7 (AC 144) Financial Instruments: Disclosure

IAS 12 (AC 102) Income Taxes

IAS 19 (AC 116) Employees Benefits

IAS 32 (AC 132) Financial Instruments: Presentation

IAS 36 (AC 128) Impairment of Assets

IAS 39 (AC 133) Financial Instruments: Recognition and Measurements
SIC 21 (AC 421) Income Taxes – Recovery of revaluated Non- Depreciable Assets
SIC 25 (AC 425) Income Taxes – Changes in the Tax Status of an entity or its Shareholders
SIC 29 (AC 429) Service Concession Arrangements: Disclosure
IFRIC 2 (AC 435) Members Shares in Co-operative Entities and Similar Instruments

IFRIC 4 (AC 437) Determining whether an Arrangement contains a lease
IFRIC 9 (AC 442) Reassessment of Embedded Derivatives
IFRIC 12 (AC 445) Service Concession Arrangements
IFRIC 13 (AC 446) Customer Loyalty Programmes
IFRIC 14 (AC447) IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of International Financial Reporting Standards.

1.1 BASIS OF CONSOLIDATION

The basis of consolidation of financial statements are presently not applicable due to the fact that the municipality have no investments with other entities nor is it involved in any joint ventures at present.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis although the main source of revenue is equitable share received from Government.

1.4 Standards, amendments to standards and interpretations issued but not yet effective

GRAP 18: Segment Reporting – Issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) – Issued February 2008

Non-exchange transactions in which the entity receives services without directly giving equal value in exchange, has not been accounted for as revenue. The reason

being is that these type of transaction presently non applicable and therefore considered immaterial.

GRAP 24: Presentation of Budget Information in Financial Statements – Issued November 2007

Compliance with this standard would have had an effect on the presentation only. The budget information is disclosed in the appendices of the financial statements.

GRAP 25: Presentation of Employee Benefits – Issued November 2009

Compliance to the standard would have an effect on the presentation only. Financial information has been reported in notes to Annual Financial Statements and statement of performance. The disclosure of this information will assist users of the financial statements to evaluate the nature of the entity defined plans and the financial effect in those plans during the reporting period.

GRAP 103: Heritage Assets – Issued July 2008

Compliance to the standard would have no impact on the current information due the fact that there are no heritage assets disclosed in the Annual Financial Statements. Not with standing the above is the recognition and measurements requirements of the standards already adopted.

1.5 HOUSING DEVELOPMENT FUND

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

1.6 RESERVES

1.6.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on re-valued amounts, are credited or charged to the Statement of Financial Performance.

1.6.2 Reserves

1.6.1.1 Capital Replacement Reserves

All previous credit balances of the Capital Development Fund are included in the accumulated Surplus/Deficit in the Statement of Financial Position.

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

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan as well as for future infrastructure.

CRR is included in the accumulated Surplus in the Statement of Financial Position. In the prior year it was separately disclosed as statutory funds, previously required by the IMFO standards.

1.6.2.2 Capitalisation Reserve

On the implementation of GRAP, the balance of certain funds namely Loans redeemed and advances paid, and Contributions from ex-Operating Income, created in terms of the various Provincial Ordinances applicable at the time, that had historical been utilised for the acquisition of items of property, plant and equipment have been transferred to a capitalisation reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury and is the reserve managed as part of the accumulated surplus. The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful live of these items of property, plant and equipment are offset by transfer to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus fund.

The Capitalisation reserve is included in the Accumulated Surplus in the Statement of Financial Position. Prior years it was disclosed under Employment of Capital – Fixed Assets and was separately disclosed.

1.6.2.3 Government Grant Reserves

In the prior years when items of property, plant and equipment were financed from government grants, a transfer was made from the accumulated surplus/deficit 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 were depreciated, a transfer was made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of the policy was to promote community equity by ensuring that the future depreciation expenses that would have been incurred over the useful live of government grant funded items of property, plant and equipment were offset by transfers from this reserve to the accumulated surplus/(Deficit).

When a item of property, plant and equipment financed from government grants was disposed, the balance in the Government Grant Reserve relating to such item was transferred to the Accumulated surplus/(deficit)

Government Grant Reserve is included in the Accumulated Surplus in the Statement of Financial Position. In prior year it was disclosed under Employment of Capital – Fixed Assets and was separately disclosed.

1.6.2.4 Donations and Public Contributions

In the prior years when items of property, plant and equipment were financed from public contributions and donations, a transfer was made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve 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 were depreciated, a transfer was made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of the policy was to promote community equity and facilitate budgetary control by ensuring that sufficient funds were set aside to offset the future depreciation charges that would have been incurred over the useful live of the item of property, plant and equipment financed from Donations and Public Contributions.

When a item of property, plant and equipment financed from donations and public contributions was disposed, the balance in the Donations and Public Contributions Reserve relating to such item was transferred to the Accumulated surplus/(deficit)

Donations and Public Contributions Reserve is included in the Accumulated Surplus in the Statement of Financial Position. In prior year it was disclosed under Employment of Capital – Fixed Assets and was separately disclosed.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated regarding their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite live.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to make use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Consultants have been appointed to itemize assets components where the useful life is different.

Where an asset is acquired by the municipality for no or nominal consideration, the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent Measurement

Subsequent to initial recognition, items for property, plant and equipment are measured at cost less accumulated depreciation and impairment identified during the financial period. Land was not depreciated due the fact that it is deemed to have an indefinite useful life.

Where parts of assets are replaced, the replaced part is derecognised and the new part is capitalised. Expenditure on an asset is capitalised only when it increases the capacity or future economic benefits associated with the asset.

Depreciation only commences when the assets are ready for their intended use.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

Details Years

Infrastructure

- Roads 15 years
- Economic Development 20 years
- Stormwater Drainage 20 years
- Street Lighting 20 years

Community

- Buildings 30 years
- Recreational Facilities 20 – 30 years

Other property, plant and equipment

- Buildings 30 years
- Informal Markets 30 years
- Building Improvements 20 years
- Heavy and mobile plant 10 years
- Furniture and fittings 7 years
- Vehicles 5 years
- Bins and containers 5 years
- Plant – general 5 years
- Security System 5 years
- Office equipment 3 - 5 years
- Other items of Plant and equipment 3 – 5 years

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

Provision is made for this obligation in accordance with the Municipalities accounting policy on non-current provisions – See Accounting Policy 1.12 on provisions.

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 in the Statement of Financial Performance.

The Municipality test for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance

1.8 INTANGIBLE ASSETS

Initial Recognition

Intangible assets are initially recognised at cost and comprise of software acquired by the municipality.

At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to make use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Consultants will be appointed to itemize assets components where the useful life is different.

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

Subsequent Measurements

The cost of an intangible asset is depreciated over the useful life where that life is finite. Where the useful is indefinite, the asset is not depreciated but is subject to impairment tests.

Depreciation

Depreciation is charged so as to write off cost of intangible assets over their estimated useful lives, using the straight line method as follows:

Computer Software 5 years

1.8 IMPAIRMENT OF ASSETS

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

1.9 FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are initially recognised at fair value.

Subsequent Measurements

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables. Financial liabilities are categorised at fair value through profit or loss or financial liabilities carried amortisation cost. The subsequent measurement of financial assets and liabilities depends on categorisation and, in the absence of an approved GRAP standard on Financial instruments, is in terms of IAS39.

Debtors

Debtors are recognised at fair value and measured at amortised cost using the effective interest method, less provision for impairment (Bad Debt). A provision for impairment of debtors is established when there is objective interest evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Statement.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Creditors

Trade creditors are stated at cost

Cash and cash equivalents

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

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

Borrowing and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the municipality does not financial loans for trading purposes. Long term borrowings are utilised solely for capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payments that are not quoted in the active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position at cost.

1.10 INVESTMENTS

The Municipality classifies its investments in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-valuations this designation at every reporting date.

1.11 Inventories

Initial Recognition

Inventories are initially recognized at cost. Cost general refers to the purchase price, plus taxes, transport costs and any other cost in bringing the inventories to their current location and condition.

Subsequent Measurement

Consumable stores and maintenance materials are valued at the lower cost and net realisable value. In general, the basis of determining cost is the First in First out method.

1.12 Borrowing Costs

Borrowing Cost is recognised as an expense in the period in the Statement of Financial Performance.

1.13 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

1.14 RETIREMENTS BENEFITS

1.14.1 PENSION OBLIGATIONS

The municipality and its employees contribute to two pension funds that cater for the majority of the staff. The KZN Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of the retirement benefits are charged against revenue in the year they become payable. The defined funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

Defined contribution plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year it becomes payable. The defined contribution funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

1.15 REVENUE

Revenue comprises 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, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

1.15.1 Revenue from Exchange Transactions

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

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

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

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

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

1.15.2 Revenue from non-exchange transactions

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

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

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

1.16 GRANTS, TRANSFERS AND DONATIONS

Income received from conditional grants, donations and subsidies is recognised 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 and funds are invested until utilised.

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

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.17 LEASES

Finance Leases – The Municipality as lessee

Finance leases are recognised as assets and liabilities in the statements 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.

Operating Leases – The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance over the period of the lease.

1.18 TAX

The municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.19 UNAUTHORISED EXPENDITURE

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

1.20 IRREGULAR EXPENDITURE

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

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 COMPARATIVE INFORMATION

1.22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.22.2 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 reason for the reclassification is disclosed.