Maluti-a-Phofung Local Municipality
(Municipal demarcation code FS194)
Annual Financial Statements
for the year ended 30 June 2011

General Information

Executive mayor	Mofumahadi Mopedi P
Speaker	Nthedi AM
Chief whip	Radebe FS
Mayoral committee	Lefora QW
	Majake MI
	Mohlekwa TR
	Mokoena JM
	Mokotso GT
	Mokubung ML
	Molefe-Zwane RNH
	Mopeli N
	Mosia MM
	Mositi MC
Councillors	Crockett M
	Dlamini PA
	Hlatsweayo TF
	Khambule MA
	Khoapha NA
	Kleynhans LM
	Komako AM
	Lebesa MB
	Lebesa MJ
	Lebesana PJ
	Letaoane TT
	Mavuso TM
	Mahlambi TJ
	Mazibuko MR
	Mbongo JM
	Mdakane HF
	Mkhwanazi TI
	Mofana MM
	Mohoaladi ME
	Mohlabi ML
	Mokoena DJ
	Motloung MM
	Motaung PM
	Motaung SJ
	Mopeli MS
	Moseme LA
	Mosikili ST

General Information

	Mosikidi TJ
	Mphonyo MA
	Nhlapo MA
	Tsotetsi MJ
	Tolofi ME
	Seobi MJ
	Sehlako KM
	Mokoena LE
	Mofokeng K
	Mahamuza LP
	Rantsane J
	Motaung ME
	Thebe TR
	Mojakisane NS
	Mpakathe MP
	Ntamane VM
	Thakhuli ND
	Ramochela A
	Salamu MS
	Sephula PE
	Shabalala M
	Zimu CT
Grading of local authority	Grade 9
Chief finance officer (CFO)	Ramulondi TJ
Accounting Officer	Kau RS
Registered office	Cnr Moremoholo & Motloung Streets Setsing Business Center Phuthaditjhaba 9866
Postal address	Private Bag X805 Witsieshoek 9866
Bankers	First National Bank Ltd
Auditors	Auditor General - Free State

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards

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IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (previously CMIP)
IFRS	International Financial Reporting Standards
IFRIC	IFRS Interpretations Committee

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

The annual financial statements have been prepared on the going concern basis and were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Kau RS
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2011.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

Name of member	Number of meetings attended
Ntsala GA (chairperson)	6
Mohlahlo EM	1
Mothekge MP	2
Tshake MP	5

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King II Report on Corporate Governance requirements, internal audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal auditors, the audit report on the annual financial statements, and the management letter of the Auditor-General Free State, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of annual financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General;
- Reviewed the Auditor-General Free State management letter and management’s response thereto;
- Reviewed changes in accounting policies and practices; and
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General Free State's report of the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General Free State.

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities and operates principally in South Africa.

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

Net surplus of the municipality was R 231,036,171 (2010: surplus R 233,855,449).

2. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

6. Accounting officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Kau RS

7. Auditors

The Auditor General - Free State will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Other financial assets	7	19,920,102	27,256,108
Inventories	10	2,087,457	2,723,488
Other receivables from exchange transactions	11	35,768,473	75,489,706
Other receivables from non-exchange transactions	12	-	1,130,290
VAT receivable	13	20,291,712	15,547,002
Trade receivables from exchange transactions	14	277,865,926	223,039,185
Cash and cash equivalents	15	15,003,155	6,677,647
		370,936,825	**351,863,426**
Non-Current Assets			
Property, plant and equipment	4	847,410,569	636,395,082
Intangible assets	5	286,942	(1)
Investments in controlled entities	6	300	300
Other financial assets	7	16,253,400	19,998,694
Long term receivables	16	22,630,995	25,999,793
		886,582,206	**682,393,868**
Total Assets		**1,257,519,031**	**1,034,257,294**
Liabilities			
Current Liabilities			
Other financial liabilities	17	8,219,606	6,868,012
Finance lease obligation	18	-	561,595
Unspent conditional grants and receipts	19	33,737,953	11,593,876
Trade and other payables from exchange transactions	20	200,491,165	225,430,016
Consumer deposits	21	10,816,242	9,473,950
Trade and other payables from non-exchange transactions	23	3,855,234	3,855,234
		257,120,200	**257,782,683**
Non-Current Liabilities			
Other financial liabilities	17	12,510,115	19,622,076
Total Liabilities		**269,630,315**	**277,404,759**
Net Assets		**987,888,716**	**756,852,535**
Net Assets			
Accumulated surplus		987,888,716	756,852,535

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	24	134,686,846	148,349,730
Service charges	25	274,025,588	261,506,009
Rendering of services	26	567,274	580,890
Government grants & subsidies	27	464,432,955	393,450,235
Rental income	28	298,730	226,778
Fines		464,529	282,471
Other income	29	2,733,047	2,228,150
Interest received - investment	35	2,207,574	3,405,899
Reversal of allowance for bad debt	58	56,137,236	20,797,249
Interest received - consumers	60	18,444,498	11,147,791
Total Revenue		**953,998,277**	**841,975,202**
Expenditure			
General expenses	30	(54,368,103)	(60,673,810)
Personnel cost	32	(155,156,965)	(130,805,616)
Remuneration of councilors	33	(15,168,216)	(16,965,360)
Community project expenditure	34	(13,995,729)	(40,423,875)
Depreciation and amortisation	37	(39,124,904)	(36,340,892)
Finance costs	38	(3,115,632)	(3,997,662)
Contracted services	40	(66,764,011)	(70,984,184)
Grants and subsidies paid	41	(107,192,921)	(61,788,998)
Bulk purchases	42	(237,515,076)	(166,547,817)
Repairs and maintenance	59	(38,683,381)	(19,459,915)
Total expenditure		**(731,084,938)**	**(607,988,129)**
Fair value adjustments	36	8,122,832	(131,624)
Surplus for the year		**231,036,171**	**233,855,449**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	531,963,619	531,963,619
Adjustments		
Prior year adjustments - refer to note 45	(8,966,533)	(8,966,533)
Balance at 01 July 2009 as restated	**522,997,086**	**522,997,086**
Surplus for the year	233,855,449	233,855,449
Total changes	233,855,449	233,855,449
Balance at 01 July 2010	**756,852,545**	**756,852,545**
Changes in net assets		
Surplus for the year	231,036,171	231,036,171
Total changes	231,036,171	231,036,171
Balance at 30 June 2011	**987,888,716**	**987,888,716**

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		425,632,281	333,944,317
Grants		487,707,324	372,277,515
Interest income		2,207,574	3,405,899
Other receipts		43,217,539	2,737,799
		958,764,718	712,365,530
Payments			
Employee costs		(170,291,920)	(147,767,630)
Suppliers		(384,503,029)	(216,672,266)
Finance costs		(3,115,632)	(3,997,662)
Other payments		(166,475,241)	(121,184,826)
Other cash item		-	(14,939,295)
		(724,385,822)	(504,561,679)
Net cash flows from operating activities	43	**234,378,896**	**207,803,851**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(242,016,889)	(179,015,241)
Purchase of other intangible assets	5	(287,467)	-
Proceeds from sale of financial assets		19,204,132	1,189,224
Purchase of long term receivables		-	(7,255,406)
Proceeds from sale of long term receivables		3,368,798	-
Net cash flows from investing activities		**(219,731,426)**	**(185,081,423)**
Cash flows from financing activities			
Proceeds from other financial liabilities		-	18,652,327
Repayment of other financial liabilities		(5,760,367)	(3,770,553)
Finance lease payments		(561,595)	(1,149,987)
Net cash flows from financing activities		**(6,321,962)**	**13,731,787**
Net increase/(decrease) in cash and cash equivalents		**8,325,508**	**36,454,215**
Cash and cash equivalents at the beginning of the year		6,677,647	(29,776,568)
Cash and cash equivalents at the end of the year	15	**15,003,155**	**6,677,647**

Accounting Policies

1. Reporting municipality

Maluti-a-Phofung Local Municipality ("the municipality") is a local government institution in Phuthaditjhaba town in the Thabo Mofutsanyana district, Free State Province. Its principal activities and the address of its principal place of business are disclosed under "General Information" in the annual report.

2. Presentation of annual financial statements

2.1 Statement of compliance

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

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

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

The following significant accounting policies had been applied consistently during the current and previous reporting period.

2.2 Going concern assumption

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

2.3 Presentation currency

These annual financial statements are presented in South African Rand, which is the municipality's functional currency. All financial information has been rounded to the nearest Rand.

2.4 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the municipality has a legal right to set off amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Accounting Policies

2.5 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the municipality; plus
- any cost directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

2.6 Property, plant and equipment

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

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

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and

- the cost or fair value of the item can be measured reliably.

Initial recognition and measurement

Items of property, plant and equipment are initially measured at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset and to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

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

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

Accounting Policies

2.6 Property, plant and equipment (continued)

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

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

Subsequent measurement

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, depreciated on the straight line basis over their expected useful lives.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	**Estimated useful life**
Bins and containers	3-5 years
Buildings	25-30 years
Community assets	25-30 years
Heritage assets	5-30 years
Infrastructure assets	
• Electricity	3-30 years
• Housing	10-40 years
• Pedestrian malls	20-30 years
• Roads and paving	10-30 years
• Sewerage	5-20 years
• Water	5-20 years
IT equipment	3-10 years
Land	Indefinite
Landfill sites	30-55 years
Leased assets	
• Office equipment	Lease term
Motor vehicles	
• Fire engines	5-10 years
• Heavy duty vehicles	5-7 years
• Other	4-10 years
Office equipment	
• Airconditioners	3-5 years
• Office machines	5-7 years
Other assets	
• Audio visual equipment	5-10 years
• Furniture and fittings	3-10 years
• Emergency equipment	3-7 years
• Kitchen equipment	5-10 years

Accounting Policies

2.6 Property, plant and equipment (continued)

Plant and machinery	1-20 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate in the statement of financial performance.

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

Derecognition

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential is expected from its continued use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within in surplus or deficit when the item is derecognised.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

2.7 Intangible assets

Intangible assets are initially measured at cost.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in surplus or deficit when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. An intangible asset arising from development is recognised when:

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

Other development expenditure is recognised in surplus or deficit as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Accounting Policies

2.7 Intangible assets (continued)

Other intangible assets

Other intangible assets that are acquired by the municipality and have finite useful lives are initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

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

Servitudes created through the exercise of legislation are not recognised as intangible assets and any costs incurred to register these servitudes are expensed. Servitudes, however, that a created through an agreement (contract) are recognised as intangible assets.

After initial recognition, intangible assets are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that at the reporting date the carrying amount of the asset does not differ materially from its fair value.

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

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

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

Item	Useful life
Computer software, other	2 - 5 years

Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the municipality is able to charge the public for the use of the infrastructure to the end of the concession period.

2.8 Financial instruments

Initial recognition

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

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

Accounting Policies

2.8 Financial instruments (continued)

- Financial assets at fair value through surplus or deficit - designated
- Loans and receivables

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

Financial assets at fair value through surplus or deficit

Financial assets are designated as at fair value through surplus or deficit. There is no specific intention on the part of the municipality to keep these shares to maturity and the decision to sell may be taken at any time.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Initial recognition and measurement

Financial instruments are measured initially at fair value.

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

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

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

Subsequent measurement

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

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

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

Accounting Policies

2.8 Financial instruments (continued)

Fair value determination

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

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and subsequently cash and cash equivalents are classified as loans and receivables, measured at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings

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

Trade and other payables

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

Bank overdraft, borrowings and trade and other payables are classified as financial liabilities at amortised cost.

Investments

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

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

Accounting Policies

2.8 Financial instruments (continued)

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

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

2.9 Inventories

Initial recognition

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

Cost

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

Subsequent measurement

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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

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

Cost is generally determined using the first-in-first-out principle except where stated otherwise (the same formula is

Accounting Policies

2.9 Inventories (continued)

used for all inventories having a similar nature and use to the municipality).

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

2.10 Impairment

Financial assets

A financial asset, not carried at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

Reversals of impairment losses are recognised in surplus or deficit.

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

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

Non-financial assets

Cash generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial

2.10 Impairment (continued)

return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in surplus or deficit.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance cost.

Depreciation or amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

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

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

Non-cash-generating assets

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

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

Identification

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

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

Value in use

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

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

2.10 Impairment (continued)

discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is

Accounting Policies

2.10 Impairment (continued)

adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the municipality does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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

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

Reversal of impairment loss

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

2.10 Impairment (continued)

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

2.11 Revenue

Revenue from exchange transactions includes revenue from trading activities and other services provided while revenue from non-exchange transactions includes rates levied, fines, donations and grants from other spheres of government.

Revenue from exchange transaction

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

Measurement

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

Services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the

Accounting Policies

(continued)
municipality;

- the stage of completion of the transaction at the reporting date can be measured reliably; and

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest and dividends

Interest earned and dividends received

Revenue arising from the use by others of municipal assets yielding interest and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

Dividends

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

Other

Tariff charges

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

Housing rental and instalments

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised as it accrues in surplus or deficit using the effective interest method.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

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(continued)

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the municipality receives value from another entity without directly giving approximately equal value in exchange.

Revenue from non-exchange transactions is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, the amount of the revenue can be measured reliably and, if applicable, there has been compliance with the relevant legal requirements or restrictions.

[Insert additional text]

Rates and taxes

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

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

Fines

Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

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

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

Donations are measured at the fair value of the consideration received or receivable when the amount of the revenue can be measured reliably. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,

Revenue from non-exchange transactions (continued)

- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

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

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

2.12 Provisions

A provision is recognised if, as a result of a past event, the municipality has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

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

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

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

Provisions are not recognised for future operating losses.

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

A constructive obligation to restructure arises only when the municipality:

Accounting Policies

2.12 Provisions (continued)

1) has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
-the expenditures that will be undertaken; and
-when the plan will be implemented; and
2) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- subject to the second bullet, changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

2.13 Non-current assets held for sale and disposal groups

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

Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in

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

accordance with the municipality's accounting policies for the individual assets. Subsequently, non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

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

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

2.14 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

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

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

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

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

Accounting Policies

2.14 Employee benefits (continued)

Other long-term employee benefits

Long-service bonus

In addition to normal vacation leave, an employee shall qualify for the following additional leave together with the following monetary award as recognition for continued service at the completion of the following:

	Additional accumulated leave	Monetary award (of annual salary)
Less than 5 years' service	5 days	2%
5 - 10 years' service	10 days	3%
10 - 15 years' service	15 days	4%
15 - 20 years' service	15 days	5%
20 - 25 years' service	15 days	6%
25 - 30 years' service	15 days	6%
30 - 35 years' service	15 days	6%
35 - 40 years' service	15 days	6%
40 - 45 years' service	15 days	6%

On termination of service, an employee shall be paid his leave entitlement, including the leave mentioned above, and calculated in terms of the relevant provisions of the Basic Conditions of Employment Act 75 of 1997.

The initial date of appointment of an employee shall be maintained for the purposes of determining the actual service period of the employee and for the calculation of the long service bonus.

The long service leave must be taken within one year of receiving such leave or may be wholly or partially encashed.

2.15 Leases

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

Finance leases - municipality as lessee

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

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

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

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

Operating leases - municipality as lessee

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

Operating leases - municipality as lessor

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

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

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

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

Finance sale and leaseback

Where the sale and leaseback results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not recognised immediately as revenue in the annual financial statements of the seller – lessee. The excess amount is deferred and amortised over the lease term.

Operating sale and leaseback

Where the sale and leaseback results in an operating lease the transaction is accounted for as follows:

- If the transaction is concluded at fair value, any gain or loss is recognised immediately.
- If the sale price is below fair value, any gain or loss is recognised immediately except that, if the loss is

2.15 Leases (continued)

compensated for by future lease payments at below market price, it is deferred and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

- If the sale price is above fair value, the excess over fair value is deferred and amortised over the period for which the asset is expected to be used.

2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditure for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

If the carrying amount of the qualifying asset exceeds its recoverable amount or recoverable service amount, an impairment loss is recognised for the excess amount.

Borrowing costs that are not capitalised are recognised as an expense in surplus or deficit.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

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

2.17 Value added tax (VAT)

The municipality accounts for VAT on the cash basis. The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

2.18 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, 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 MFMA (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

2.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the MFMA (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000) and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the municipality's supply

Accounting Policies

2.19 Irregular expenditure (continued)

chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular 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.

2.20 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.

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

2.21 Comparative figures

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

2.22 Accounting estimates and judgements

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

Trade receivables / loans and receivables

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

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

Provisions

These provisions represent management's best estimate based on the information available. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets

2.22 Accounting estimates and judgements (continued)

are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Allowance for slow moving, damaged and obsolete inventory

Management has made estimates of the selling price and direct cost to sell of certain inventory items to calculate the allowance to write inventories down to the lower of cost or net realisable value. The write down is included in note 31.

An allowance for inventory to write inventory down to the lower of cost or net realisable value (or current replacement cost where inventory are held in distribution or for consumption in the production process at no charge or for a nominal charge).

Fair value estimation

The fair value information presented by the municipality in note 8 requires the application of valuation techniques and assumptions based on market conditions existing at the end of the reporting period. The actual fair values may differ from those estimated.

Critical judgements in applying accounting policies

Depreciation and the carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management’s judgement. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items. The estimation is based on the pattern in which an assets future economic benefits as service potencial are expected to be consumed by the municipality.

Identification of impairment indicators

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that impairment exists. The municipality applies the impairment assessment to its assets or separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management’s judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the accounting standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

Allowance for doubtful debts

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

Accounting Policies

2.23 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisation's , which is given effect through authorising legislation.

General purpose financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The statement of comparison between the budget and actual information have been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note 51.

Comparative information is not required.

2.24 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered in arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the municipality. All individuals from the level of Municipal Manager and council Members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the municipality.

Related party disclosures for transactions between the municipality and related parties that took place are disclosed in note 45.

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

The municipality assesses the probability of each transaction on an individual basis when it occurs. The municipality shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The impact of the interpretation is not material.

GRAP 25: Employee benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The standard requires the municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP 25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

The standard also includes detailed requirements to be applied in the accounting for:

- Post-employment benefits;
- Other long-term employee benefits; and
- Termination benefits

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The impact of the standard is not material.

3.2 Standards issued and not yet effective

The following standards expected to be applicable to the municipality have been issued, but are not yet effective:

The GRAP standards below will be applied by the municipality from the effective date determined by the Minister of Finance.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which the municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions (Taxes and Transfers)

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

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability and recognise an amount equal to that reduction as revenue.

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 24: Presentation of Budget Information

The municipality is required to present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where the municipality prepares its budget and annual financial statements on a comparable basis, it is required to include the comparison as an additional column in the primary annual financial statements.

Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'statement of comparison of budget and actual amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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

Although the municipality currently presents budget information in terms of legislation, additional disclosure is required in terms of GRAP 24.

The standard will however not impact the measurement of figures presented in the annual financial statements and will only result in additional detail being disclosed in relation to the budget.

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

GRAP 103: Heritage Assets

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

Certain heritage assets are described as inalienable items which means that they are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset is recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Heritage assets are recognised at cost unless they are acquired through a non-exchange transaction, in which case they are recognised at their fair value as at the date of acquisition.

The municipality has a choice between the cost and revaluation model as an accounting policy for subsequent measurement and is required to apply the chosen policy to an entire class of heritage assets.

Heritage assets are subsequently carried at their cost or revalued amount less accumulated impairment. These assets are not depreciated.

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

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

GRAP 21: Impairment of Non-cash-generating Assets

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

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

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

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

GRAP 26: Impairment of Cash-generating Assets

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

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

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, the municipality should estimate the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality should apply the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

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

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

GRAP 104: Financial Instruments

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

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests.

Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument.

Residual interests entitle an entity to a portion of another entity's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The standard contains further detailed guidance on the initial recognition, measurement and subsequent measurement of financial instruments and mainly distinguished between those financial instruments carried at fair value and those at amortised cost.

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

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

GRAP 105: Transfer of functions between entities under common control

GRAP 105 establishes accounting policies for the acquirer and transferor in a transfer of functions between entities under common control.

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

The impact of this standard is currently being assessed.

GRAP 106: Transfer of functions between entities not under common control

GRAP 106 establishes accounting principles for the acquirer in a transfer of functions between entities not under common control.

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

The impact of this standard is currently being assessed.

GRAP 107: Mergers

Establishes accounting principles for the combined entity and combining entities in a merger. The standard will be applied to a transaction or event where no acquirer can be identified.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Improvements

Improvements are proposed to the following standards of GRAP as part of the Accounting Standards Board's improvement project:
- GRAP 1 - 4
- GRAP 9 - 14
- GRAP 16, 17, 19 and 100
- IAS 39

The effective date of these standards is for years beginning on or after 1 April 2011.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

Interpretations to the Standards of GRAP

The following standards of GRAP are affected by the Interpretations issued:
- GRAP 9 and 10
- GRAP 13
- GRAP 19

The effective date of these standards is for years beginning on or after 1 April 2011.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

Interpretations

The list of interpretations are as follows:
- IGRAP 2 – Changes in Existing Decommissioning, Restoration and similar Liabilities
- IGRAP 3 - Determining Whether an Arrangement Contains a Lease
- IGRAP 4 – Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 – Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 6 – Loyalty Programmes
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction
- IGRAP 8 – Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non cash Assets to Owners
- IGRAP 10 – Assets Received from Customers
- IGRAP 13 – Operating Leases – Incentives
- IGRAP 14 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 – Revenue – Barter Transactions Involving Advertising Services

The effective date of the standard is for years beginning on or after 1 April 2011.

4. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value	Cost / Valuation	Accumulated depreciation and impairment losses	Carrying value
Buildings and land	99,708,367	(3,252,894)	96,455,473	49,514,405	(2,580,565)	46,933,840
Community assets	12,868,461	(2,021,708)	10,846,753	12,868,460	(1,589,989)	11,278,471
Heritage assets	92,376	(10,292)	82,084	92,376	(7,216)	85,160
Infrastructure assets	1,111,545,109	(484,601,301)	626,943,808	868,250,840	(454,071,220)	414,179,620
Landfill sites	1,610,480	(681,865)	928,615	1,610,480	(571,609)	1,038,871
Other assets	76,380,181	(27,725,301)	48,654,880	34,376,949	(20,970,580)	13,406,369
Work in progress	63,498,956	-	63,498,956	149,472,751	-	149,472,751
Total	**1,365,703,930**	**(518,293,361)**	**847,410,569**	**1,116,186,261**	**(479,791,179)**	**636,395,082**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Revaluations	Depreciation	Total
Buildings and land	46,933,840	50,197,410	-	(675,777)	96,455,473
Community assets	11,278,471	-	-	(431,718)	10,846,753
Heritage assets	85,160	-	-	(3,076)	82,084
Infrastructure assets	414,179,620	242,609,058	-	(29,844,870)	626,943,808
Landfill sites	1,038,871	-	-	(110,256)	928,615
Other assets	13,406,369	35,184,216	8,122,977	(8,058,682)	48,654,880
Work in progress	149,472,751	(85,973,795)	-	-	63,498,956
	636,395,082	**242,016,889**	**8,122,977**	**(39,124,379)**	**847,410,569**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Buildings and land	47,625,915	-	(692,075)	46,933,840
Community assets	9,096,021	2,549,246	(366,796)	11,278,471
Heritage assets	88,233	-	(3,073)	85,160
Infrastructure assets	383,772,418	59,106,206	(28,699,004)	414,179,620
Landfill sites	1,149,268	-	(110,397)	1,038,871
Other assets	19,678,733	197,183	(6,469,547)	13,406,369
Work in progress	32,310,145	117,162,606	-	149,472,751
	493,720,733	**179,015,241**	**(36,340,892)**	**636,395,082**

Pledged as security

None of the assets have been pledged as security.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Property, plant and equipment (continued)

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

None of the assets are currently under a finance lease.

5. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	916,947	(630,005)	286,942	629,480	(629,481)	(1)

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	(1)	287,467	(524)	286,942

Reconciliation of intangible assets - 2010

	Opening balance	Amortisation	Total
Computer software, other	162,100	(162,101)	(1)

Pledged as security

None of the intangible assets have been pledged as security.

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

None of the assets are currently under a finance lease.

6. Investments in controlled entities

Name of company	Held by	% holding 2011	% holding 2010	Carrying amount 2011	Carrying amount 2010
Maluti-a-Phofung Water (Pty) Ltd	Maluti-a-Phofung Municipality	100 %	100 %	300	300

The carrying amounts of controlled entities are shown net of impairment losses.

7. Other financial assets

At fair value through profit or loss - designated

	2011	2010
Listed shares	163,320	135,468
Sanlam	315,027	836,413

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
7. Other financial assets (continued)		
Momentum	14,492,491	17,816,064
Old Mutual	19,551,498	19,551,498
	34,522,336	**38,339,443**
Loans and receivables		
Sanlam	1,282,562	1,210,749
First National Bank	85,646	7,120,813
ABSA	219,907	213,275
Standard bank	63,051	362,762
First National Bank	-	7,760
	1,651,166	**8,915,359**
Total other financial assets	**36,173,502**	**47,254,802**
Non-current assets		
At fair value through profit or loss - designated	14,970,838	18,787,945
Loans and receivables	1,282,562	1,210,749
	16,253,400	**19,998,694**
Current assets		
At fair value through profit or loss	19,551,498	19,551,498
Loans and receivables	368,604	7,704,610
	19,920,102	**27,256,108**
	36,173,502	**47,254,802**

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

The following classes of financial assets at fair value through surplus or deficit are measured at fair value using quoted market prices:
- Listed shares

Where quoted market prices are not available, valuation techniques are used to determine fair value, as explained below:

The fair value of unlisted investments were estimated using the fund value as determined by the institution. The fair value is determined annually at the reproting date.

Fair value hierarchy of financial assets at fair value through surplus or deficit

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

Level 1 - quoted prices (unadjusted) in active markets for identical assets.

Figures in Rand	2011	2010

7. Other financial assets (continued)

Level 2 - inputs other than quoted prices included in level 1 that are observable for the assets either directly (as prices) or indirectly (derived from prices).

Level 3 - inputs which are not based on observable market data.

Level 1		
Listed shares	163,320	135,468
Level 2		
Unlisted investments	34,359,015	38,203,975
	34,522,335	**38,339,443**

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

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

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Fair values of loans and receivables

Loans and receivables	1,651,169	8,915,359

The fair value of loans and receivables were estimated using the fund value as determined by the institution. The fair value is determined annually at the reporting date.

Loans and receivables past due but not impaired

Loans and receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2011, no accounts were past due.

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

Credit quality of other financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

8. Financial assets by category

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

2011

	Loans and receivables	Fair value through surplus or deficit - designated	Available-for-sale	Total
Cash and cash equivalents	15,003,154	-	-	15,003,154
Consumer receivables	277,865,925	-	-	277,865,925
Consumer receivables (non-current)	22,630,995	-	-	22,630,995
Investment in controlled entitiy	-	-	300	300
Other financial assets (non-current)	1,282,563	14,970,838	-	16,253,401
Other financial assets (current)	368,606	19,551,498	-	19,920,104
Other receivables from exchange transactions	35,768,473	-	-	35,768,473
	352,919,716	**34,522,336**	**300**	**387,442,352**

2010

	Loans and receivables	Fair value through surplus or deficit - designated	Available-for-sale	Total
Cash and cash equivalents	6,677,647	-	-	6,677,647
Consumer receivables	223,039,185	-	-	223,039,185
Consumer receivables (non current)	25,999,793	-	-	25,999,793
Investment in controlled entity	-	-	300	300
Other financial assets (non-current)	1,210,749	18,787,945	-	19,998,694
Other financial assets (current)	7,704,610	19,551,498	-	27,256,108
Other receivables from exchange transactions	75,489,706	-	-	75,489,706
Other receivables from non-exchange transactions	1,130,290	-	-	1,130,290
	341,251,980	**38,339,443**	**300**	**379,591,723**

9. Retirement benefits

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act,exist for this purpose. All councillors and employees belong to three defined benefit retirement funds. One fund is administered by the Provincial Pension Fund. The last actuarial valuation as at 30 June 2005 is being finalised and will be submitted to the municipality once approved by the executive committee of the fund. No information could be obtained for the other two funds regarding the administrators nor the actuarial valuations.

The municipality is under no obligation to cover any unfunded benefits.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Inventories

Consumable stores	2,066,260	2,670,793
Water at cost	37,532	37,532
Fuel	8,077	15,163
	2,111,869	2,723,488
Inventories (write-downs)	(24,412)	-
	2,087,457	**2,723,488**

The cost of inventories recognised as an expense during the period is R10,630 (2010 - R344,648).

11. Other receivables from exchange transactions

Deposits	1,601,827	1,495,636
Other receivables	7,426,133	12,826,111
Unallocated deposits	17,878,322	54,372,252
Insurance paid on behalf of Maluti Water (Pty) Ltd	8,039,554	6,795,707
Money stolen	822,637	-
	35,768,473	**75,489,706**

Money stolen: During August 2010 fraud was detected to the amount of R5,539,228. The Free State High Court in Bloemfontein ordered the amount of R4,728,903 to be paid back to Maluti-A-Phofung Local Municipality.

Credit quality of other receivables

The credit quality of other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

None of the financial assets that are fully performing have been renegotiated in the last year.

Other receivables past due but not impaired

Other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R 42,175,682 (2010: R 81,896,914) were past due but not impaired.

12. Other receivables from non-exchange transactions

Government grants and subsidies	-	1,130,290

Other receivables from non-exchange transactions pledged as security

None of the other receivables from non-exchange transactions were pledged as security.

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions are neither past due nor impaired.

Fair value of other receivables from non-exchange transactions

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

12. Other receivables from non-exchange transactions (continued)

The municipality does not hold any collateral as security.

13. VAT receivable

VAT receivable	31,141,013	23,928,138
VAT payable	(10,849,301)	(8,381,136)
	20,291,712	**15,547,002**

VAT is payable on the receipts basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from receivables.

14. Trade receivables from exchange transactions

Gross balances		
Rates	249,501,645	294,777,875
Electricity	59,911,566	71,252,052
Water	100,892,949	107,210,309
Sewerage	47,030,695	40,007,568
Refuse	57,171,881	55,751,968
Sundry receivables	66,727,437	32,150,340
	581,236,173	**601,150,112**
Less: Allowances for bad debt		
Rates	(86,319,409)	(162,681,122)
Electricity	(28,067,713)	(38,848,887)
Water	(72,443,618)	(78,767,006)
Sewerage	(33,951,805)	(28,865,700)
Refuse	(42,345,089)	(43,586,755)
Sundry receivables	(40,242,613)	(25,361,457)
	(303,370,247)	**(378,110,927)**
Net balance		
Rates	163,182,236	132,096,753
Electricity	31,843,853	32,403,165
Water	28,449,331	28,443,303
Sewerage	13,078,890	11,141,868
Refuse	14,826,792	12,165,213
Sundry receivables	26,484,824	6,788,883
	277,865,926	**223,039,185**

Rates		
Current (0 -30 days)	14,740,585	24,808,625
31 - 60 days	10,385,719	10,047,839
61 - 90 days	7,939,954	10,420,986

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
14. Trade receivables from exchange transactions (continued)		
> 91 days	130,115,978	86,819,303
	163,182,236	**132,096,753**
Electricity		
Current (0 -30 days)	8,148,495	18,803,183
31 - 60 days	4,587,691	3,708,762
61 - 90 days	2,077,859	3,015,006
> 91 days	17,029,808	6,876,214
	31,843,853	**32,403,165**
Water		
Current (0 -30 days)	4,776,153	5,475,541
31 - 60 days	3,789,425	4,305,469
61 - 90 days	4,886,526	6,756,201
> 91 days	14,997,227	11,906,092
	28,449,331	**28,443,303**
Sewerage		
Current (0 -30 days)	2,324,359	3,720,715
31 - 60 days	1,745,765	1,696,058
61 - 90 days	1,656,628	1,736,519
> 91 days	7,352,138	3,988,576
	13,078,890	**11,141,868**
Refuse		
Current (0 -30 days)	1,756,761	1,868,237
31 - 60 days	1,575,629	1,503,786
61 - 90 days	1,469,604	1,630,950
> 91 days	10,024,798	7,162,240
	14,826,792	**12,165,213**
Other		
Current (0 -30 days)	3,577,762	198,072
31 - 60 days	1,650,860	40,027
61 - 90 days	3,204,296	164,602
> 91 days	18,051,906	6,386,182
	26,484,824	**6,788,883**

	2011	2010
Reconciliation of allowance for bad debt		
Balance at beginning of the year	(378,110,927)	(398,908,177)
Reversal of allowance for bad debt	74,740,680	20,797,250

14. Trade receivables from exchange transactions (continued)

	(303,370,247)	**(378,110,927)**

Consumer receivables pledged as security

None of the consumer receivables were pledged as security.

None of the financial assets that are fully performing have been renegotiated in the last year.

Consumer receivables past due but not impaired

VAT on consumer receivables and consumer receivables which are less than 2 months past due are not considered to be impaired. At 30 June 2011, R 33,913,516 (2010: R 48,508,085) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

	2011	2010
Current (0-30 days)	3,702,034	19,471,570
31 - 60 days	2,190,025	3,727,686
>60 days	28,021,457	25,308,829

Consumer receivables impaired

As of 30 June 2011, on consumer receivables of R 581,236,173 (2010: R 601,150,112) an amount of R18,603,443.88 was impaired.

The amount of the allowance for bad debt R 303,370,189 as of 30 June 2011 (2010: R 378,110,927).

The ageing of these receivables is as follows:

	2011	2010
0 - 90 days	83,308,507	75,408,985
Over 90 days	486,645,145	479,888,478

The creation and release of provision for impaired receivables have been included in expenses in the statement of financial performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

15. Cash and cash equivalents

Cash and cash equivalents consist of:

	2011	2010
Cash on hand	2,816	69
Bank balances	14,762,380	6,105,331
Other cash and cash equivalents	237,959	572,247
	15,003,155	**6,677,647**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
First National Bank - Current	8,410,317	11,193,927	17,133,457	(68,794,248)	12,783,432	(27,303,812)
First National Bank - Savings	237,959	572,247	967,606	237,959	572,247	967,606
Total	**8,648,276**	**11,766,174**	**18,101,063**	**(68,556,289)**	**13,355,679**	**(26,336,206)**

16. Long term receivables

	2011	2010
Consumer receivables	22,630,995	25,999,793

The long term receivables consist of consumer accounts with arrangements. These accounts bear no interest and is repayable in monthly installments of R200 if the debt was less than R15,000 and R250 if the debt was over R15,000. The repayment period is dependant on the balance of the account when the arrangement is made.

The credit quality of long term receivables are neither past due nor impaired.

None of the long term receivables were pledged as security.

None of the long term receivables that are fully performing have been renegotiated in the last year.

The maximum exposure to credit risk at the reporting date is the fair value of long term receivable mentioned above. The municipality does not hold any collateral as security.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

17. Other financial liabilities

Measured at amortised cost		
Annuity loans All annuity loans are unsecured and are from the Development Bank of South Africa and repayments are made on a six monthly basis. The last loan will be redeemed at 31 December 2015. The loans carry interest between 11% and 14% per annum.	10,824,998	10,613,727
First National Bank Intabazwe Corridor The loan is unsecured, bears interest at 11.45% per annum and repayable in bi-annual installments of R3,538,176.	9,904,723	15,876,361
	20,729,721	**26,490,088**

Refer to Appendix A for more detail on other financial liabilities.

The municipality did not default on any principal or interest repayments during the period for loans payable. No terms were renegotiated before the financial statements were authorised for issue.

Maluti-a-Phofung Local Municipality intents to procure a R114,000,000 long term loan with Development Bank of South Africa.

Non-current liabilities		
At amortised cost	12,510,115	19,622,076
Current liabilities		
At amortised cost	8,219,606	6,868,012
	20,729,721	**26,490,088**

The fair values of the financial liabilities approximates their carrying amounts.

18. Finance lease obligation

Minimum lease payments due		
- within one year	-	581,600
	-	581,600
less: future finance charges	-	(20,005)
Present value of minimum lease payments	**-**	**561,595**
Present value of minimum lease payments due		
- within one year	-	561,595

All finance leases have been paid off in the 2011 financial year. In terms of finance leases on printers, copiers and fax machines, the lease term has expired and are currently leased on a month to month basis.

The average lease term was 5 years and the average effective borrowing rate was 10% (2010: 10%).

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

18. Finance lease obligation (continued)

Interest rates were linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases were secured by the lessor's charge over the leased assets. Refer to Appendix A for more detail on borrowings.

The municipality did not default on any of the principal or interest repayments during the period of the lease agreements. No terms were renegotiated before the financial statements were authorised.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
EPWPI Grant	6,553,850	-
Finance Management Grant	170	-
RDP House	3,886,416	3,976,632
Sterkfontein (Regional Bulk Infrastructure)	11,656,685	-
Municipal Infrastructure Grant	29,831	-
Municipal Systems Improvement Grant	623	-
Operation Hlasela Projects	1,450,000	1,450,000
Installation and Maintenance of Security Equipment	10,160,378	6,167,244
	33,737,953	**11,593,876**

Movement during the year

Balance at the beginning of the year	11,593,876	36,621,829
Received during the year	218,858,956	165,231,938
Income recognition during the year	(196,714,879)	(186,404,658)
Transfer back to donor		(3,855,23
	33,737,953	**11,593,876**

See note 27 for the reconciliation of grants from National/Provincial Government.

20. Trade and other payables from exchange transactions

Accrued leave pay	12,499,083	10,832,887
Accrued bonus	4,701,124	3,558,107
Deposits received	16,990,679	16,970,307
Payments received in advance	9,148,480	70,423,060
Sundry payables	92,581,378	42,582,593
Stale cheques	8,364,788	-
Long service bonus	4,548,266	-
Trade payables	30,662,401	23,064,373
Unidentified deposits	20,994,966	57,998,689
	200,491,165	**225,430,016**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

20. Trade and other payables from exchange transactions (continued)

Fair value of trade and other payables

The municipality did default on the payment of suppliers within the average of 30 days.

The terms were not renegotiated before the financial statements were authorised for issue.

21. Consumer deposits

Rates and electricity	10,816,242	9,473,950
Guarantees held in lieu of electricity and water deposits	74,600	74,600

No interest accrues on the balance of the consumer deposits held by the mnicipality.

22. Financial liabilities by category

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

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	20,729,718	20,729,718
Trade and other payables from exchange transactions	178,742,692	178,742,692
Trade and other payables from non-exchange transactions	3,855,234	3,855,234
Consumer deposits	10,816,242	10,816,242
	214,143,886	**214,143,886**

2010

	Financial liabilities at amortised cost	Total
Other financial liabilities	26,490,088	26,490,088
Finance lease obligation	561,595	561,595
Trade and other payables from exchange transactions	211,039,024	211,039,024
Trade and other payables from non-exchange transactions	3,855,234	3,855,234
Consumer deposits	9,473,950	9,473,950
	251,419,891	**251,419,891**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

23. Trade and other payables from non-exchange transactions

National Revenue Fund	3,855,234	3,855,234

Fair value of trade and other payables from non-exchange transactions

24. Property rates

Rates received

Industrial / commercial / residential	27,126,491	34,288,461
National and Provincial Government	107,560,355	114,061,269
	134,686,846	**148,349,730**

Valuations

Valuations on which property rates are based are performed every 4 years. The last general valuation came into effect on 1 July 2010. Interim valuations are processed on a bi-annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R0.3802 (2010: R 0.03802) is applied to the value of residential properties. R0.3802 (2010: R0.7604) is applied to the value of business, industrial and mining properties and R0.0951 (2010: R0.0951) is applied to the value of state owned, agricultural land and public benefit organisation to determine assessment rates. Rebates of 90% (2010: 90%) are granted on agricultural land and undeveloped properties, excluding rural state owned properties. Rebates of 98% (2010: 98%) are granted on residential develop properties and 95% on other developed properties. No rebates are granted for state owned properties. Pensioners, indigents and public benefit organisations receive a 100% rebate.

25. Service charges

Sale of electricity	202,852,836	157,510,766
Sale of water	26,660,261	62,088,793
Sewerage and sanitation charges	25,229,567	23,752,590
Refuse removal	19,282,924	18,153,860
	274,025,588	**261,506,009**

26. Rendering of services

Entrance fees	123,259	151,417
Admission fees	157,284	124,025
Cemetary fees	285,737	303,626
Callout fees	994	1,822
	567,274	**580,890**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Government grants and subsidies

Equitable Share	267,074,545	208,608,527
Municipal Infrastructure Grant	119,636,169	111,849,125
Municipal Systems Improvement Grant (MSIG)	11,693,377	395,000
Integrated National Electrification (DME) Grant	9,370,000	15,515,000
Intabazwe Corridor Grant	-	15,039,257
RDP Houses Grant	90,216	506,260
Water Services Operating Subsidy (DWAF) Grant	42,958,131	14,748,998
Regional Bulk Infrastructure Grant	-	21,289,888
Financial Management Grant	1,199,830	732,619
Installation and Maintenance of Security Equipment	11,839,737	3,832,756
E.P.W.P.I Projects	570,950	-
DBSA ICT Strategy Grant	-	932,805
	464,432,955	**393,450,235**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy which is credited to their accounts (6kl of free water and 50kW electricity)

Expanded Public Works Programme Incentive Grant for Municipalities

Current-year receipts	6,553,850	-

The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.

Included in the unspent MIG Grant there is retention monies and surety withheld from various projects financed by MIG.

Conditions still to be met - remain liabilities (see note 19)

Financial Management Grant (FMG)

Current-year receipts	1,200,000	750,000
Conditions met - transferred to revenue	(1,199,830)	(732,619)
Unspent grant to be paid back to the National Revenue Grant	-	(17,381)
	170	**-**

The purpose of the grant is to promote and support reforms to financial management and the implementation of the Municipal Finance Management Act (MFMA).

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Government grants and subsidies (continued)

DBSA ICT Strategy Grant

Balance unspent at beginning of year	-	305
Current-year receipts	-	932,500
Conditions met - transferred to revenue	-	(932,805)
	-	**-**

The purpose of the grant is to implement the Enterprise Resource Plan in line with the ICT strategy.

RDP Houses Grant

Balance unspent at beginning of year	3,976,632	4,482,892
Current-year receipts	-	(506,260)
Conditions met - transferred to revenue	(90,216)	-
	3,886,416	**3,976,632**

Conditions still to be met - remain liabilities (see note 19)

The purpose of the grant is for the construction of low cost housing in the municipal area.

Sterkfontein (Regional Bulk Infrastructure)

Current-year receipts	55,745,106	-
Conditions met - transferred to revenue	(44,088,421)	-
	11,656,685	**-**

Conditions still to be met - remain liabilities (see note 19)

The purpose of the grant is for the social component of regional bulk water and sanitation services.

A contractor has been appointed by Bid 03/2010/2011 for installation of the water pipeline.

Water Services Operating Subsidy Grant (DWAF)

Balance unspent at beginning of year	-	4,970,250
Current-year receipts	10,944,000	11,061,750
Conditions met - transferred to revenue	(10,944,000)	(14,748,998)
Unspent grant to be paid back to the National Revenue Fund	-	(1,283,002)
	-	**-**

Conditions still to be met - remain liabilities (see note 19)

The purpose of the grant is to fund bulk, connector and internal infrastructure of water services at a basic level of service. The grant is transferred to Maluti-a-Phofung Water (Pty) Ltd.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

27. Government grants and subsidies (continued)

Regional Bulk Infrastructure Grant

Current-year receipts	-	22,684,688
Conditions met - transferred to revenue	-	(21,289,888)
Unspent grant to be paid back to the National Revenue Fund	-	(1,394,800)
	-	**-**

Conditions still to be met - remain liabilities (see note 19)

The purpose of the grant is to develop regional bulk infrastructure for water supply to supplement water treatment works at resource development and link such water resource development with the local bulk and local distribution networks on a regional basis cutting across several local municipal boundaries. In the case of sanitation regional bulk collection as well as regional waste water treatment works.

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	6,729,125
Current-year receipts	119,666,000	105,120,000
Conditions met - transferred to revenue	(119,636,169)	(111,849,125)
	29,831	**-**

Conditions still to be met - remain liabilities (see note 19)

The purpose of the grant is to fund bulk, connector and internal infrastructure of water services at a basic level of service. The grant is transferred to Maluti-a-Phofung Water (Pty) Ltd.

Municipal Systems Improvement Grant (MSIG)

Current-year receipts	750,000	735,000
Conditions met - transferred to revenue	(749,377)	(395,000)
Unspent grant to be paid back to the National Revenue Fund	-	(340,000)
	623	**-**

Conditions still to be met - remain liabilities (see note 19)

The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government: Municipal Systems Act 32 of 2000.

Integrated National Electrification Programme (Municipal) Grant

Balance unspent at beginning of year	-	5,400,000
Current-year receipts	10,000,000	10,115,000
Conditions met - transferred to revenue	(10,000,000)	(15,515,000)
	-	**-**

Conditions still to be met - remain liabilities (see note 19)

Figures in Rand	2011	2010

27. Government grants and subsidies (continued)

The purpose of the grant is for the municipality to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Operation Hlasela Projects

Balance unspent at beginning of year	1,450,000	-
Current-year receipts	-	1,450,000
	1,450,000	**1,450,000**

Conditions still to be met - remain liabilities (see note 19)

The purpose of the grant is for the cleaning of the municipal area.

Installation and Maintenance of Security Equipment

Balance unspent at beginning of year	6,167,244	-
Current-year receipts	14,000,000	10,000,000
Conditions met - transferred to revenue	(10,006,866)	(3,832,756)
	10,160,378	**6,167,244**

Conditions still to be met - remain liabilities (see note 19)

The purpose of the grant is for the installation and maintenance of security around the Lesotho and Phuthaditjhaba border.

28. Rental income

Rental of:		
Halls	69,104	60,452
Premises	74,128	19,265
Facilities and equipment	155,498	147,061
	298,730	**226,778**

29. Other income

Advertising income	55,508	76,157
Blockages	26,794	14,883
Commissions salary deductions	156,330	131,617
Conservancy services	232,233	165,135
Escorting - vehicles	13,384	8,731
Income from valuations	39,345	36,669
New connections	192,411	284,697
Private work	1,549	1,040
Reconnections - non payment	180,313	201,536
Sale of erven	516,300	574
Sale of tender documents	214,753	143,870

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

29. Other income (continued)

Searching fees	19,055	21,871
Sundry income	609,777	333,026
Training income	475,295	808,344
	2,733,047	**2,228,150**

For related party transactions - refer to note 45.

30. General expenses

Advertising	270,053	371,756
Auditors remuneration	3,781,784	2,994,745
Bank charges	1,256,488	1,011,360
Capacity building	92,986	211,860
Chemicals	11,191	7,149
Cleaning	313,270	269,767
Consulting and professional fees	9,384,426	14,375,588
Consumables	191,132	1,438,533
Electricity	1,465,159	1,519,229
Entertainment	408,612	567,871
FMG expenditure	25,384	732,619
Fuel and oil	4,937,285	3,846,767
IDP expenses	1,862	158,220
IT expenses	595,235	2,056,002
Indigent subsidy	9,700,571	8,283,369
Lease rentals on operating lease	202,234	276,987
Local economic development projects	-	85,117
MSIG expenditure	749,377	395,000
Magazines, books and periodicals	18,475	18,899
Mayoral fund	541,443	940,830
Motor vehicle expenses	215,414	73,490
Other expenses	3,639,109	2,638,720
Postage and courier	1,932,838	2,078,218
Promotions	731,498	790,436
Protective clothing	31,665	878,584
Security (guarding of municipal property)	2,228,986	3,108,693
Subscriptions and membership fees	1,137,779	1,447,730
Telephone and fax	2,820,724	3,126,860
Training	1,139,306	492,031
Valuation costs	3,464,563	5,146,920
Venue expenses	3,079,254	1,330,460
	54,368,103	**60,673,810**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

31. Operating surplus

Operating surplus for the year is stated after accounting inter alia for the following:

Operating lease charges

Motor vehicles		
• Contractual amounts	180,238	(8,891)
Equipment		
• Contractual amounts	21,996	285,878
	202,234	**276,987**

Depreciation and amortisation on property, plant and equipment	39,124,904	36,340,892
Employee costs	170,325,181	147,770,976

32. Personnel costs

Acting allowances	31,486	63,245
Bargaining council contribution	47,531	41,432
Basic	98,243,875	83,003,461
Bonus	7,763,792	7,227,389
Car allowance	2,897,784	2,759,923
Group insurance	95,851	58,474
Housing benefits and allowances	459,918	569,361
Leave pay	2,510,537	684,846
Long service bonus	4,548,268	-
Medical aid - company contributions	5,500,611	4,873,487
Overtime payments	5,929,115	6,783,585
Post-employment benefits - (pension - defined contribution plan)	15,727,684	13,612,624
Skills development levies	1,162,734	965,580
Standby allowance	579,269	611,414
Telephone / cellphone allowance	198,700	208,100
Tool allowance	720	720
Travel, motor car, accommodation, subsistence and other allowances	2,018,464	2,683,918
UIF	906,162	831,245
	148,622,501	**124,978,804**

Remuneration of Municipal Manager

Annual remuneration	479,174	183,639
Allowances	295,367	90,031
Contributions to UIF, medical and pension Funds	115,430	45,044
	889,971	**318,714**

Remuneration as reflected in 2010 is for a period of 5 months due to a new appointment in February 2010.

Figures in Rand	2011	2010

32. Personnel costs (continued)

Remuneration of Chief Finance Officer

Annual remuneration	464,818	438,843
Allowances	231,951	250,811
Contributions to UIF, medical and pension funds	125,091	117,265
	821,860	**806,919**

Remuneration of Director: Municipal Infrastructure

Annual remuneration	451,818	411,105
Allowances	196,300	205,667
Contributions to UIF, medical and pension funds	44,712	39,633
	692,830	**656,405**

Remuneration of Chief Operating officer

Annual remuneration	680,703	655,538
Allowances	138,000	149,784
Contributions to UIF, medical and pension funds	9,494	9,078
	828,197	**814,400**

Remuneration of Director: Public Safety

Annual remuneration	424,665	395,338
Allowances	145,124	172,323
Contributions to UIF, medical and pension funds	108,338	99,192
	678,127	**666,853**

Remuneration of Director: Corporate Services

Annual remuneration	462,252	434,868
Allowances	139,856	155,181
Contributions to UIF, medical and pension funds	7,249	6,811
	609,357	**596,860**

Remuneration of Director: Parks, Sports, Recreation, Arts and Culture

Annual remuneration	481,965	472,335
Allowances	146,431	171,541
Contributions to UIF, medical and pension funds	38,885	12,102
	667,281	**655,978**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

32. Personnel costs (continued)

Remuneration of Director: Community

Annual remuneration	439,963	410,960
Allowances	161,454	177,338
Contributions to UIF, medical and pension funds	79,910	74,105
	681,327	**662,403**

Remuneration of Director: Spatial Development

Annual remuneration	405,841	378,300
Allowances	171,412	186,435
Contributions to UIF, medical and pension funds	88,265	83,545
	665,518	**648,280**

33. Remuneration of councilors

Councillors	8,638,228	10,242,262
Executive Mayor	724,675	790,136
Mayoral Committee Members	5,319,915	5,414,476
Speaker	485,398	518,486
	15,168,216	**16,965,360**

In-kind benefits

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

The Executive Mayor has use of a council owned vehicle for official duties.

34. Community project expenditure

Capital expenditure acquired during the year	256,300,084	218,199,341
Less: Assets capitalised	(242,304,355)	(177,775,466)
	13,995,729	**40,423,875**

35. Investment revenue

Interest revenue

Interest on investment	2,207,574	3,405,899

The amount included in investment revenue arising from exchange transactions amounted to R 2,207,574 (2010: R3,405,899).

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

36. Fair value adjustments

Other financial assets		
• Designated as at fair value through surplus or deficit	8,122,832	(131,624)

37. Depreciation and amortisation

Property, plant and equipment	39,124,904	36,340,892

38. Finance costs

Financial institutions	3,115,632	3,997,662

39. Auditors' remuneration

Fees	3,781,784	2,994,745

40. Contracted services

Information technology services	3,677,449	8,879,307
Insurance	20,988,593	15,567,311
Operating leases	1,412,756	1,104,000
Other contractors	3,760,793	2,238,492
Specialist services	36,924,420	43,195,074
	66,764,011	**70,984,184**

41. Grants and subsidies paid

Other subsidies		
DWAF subsidy to Maluti-a-Phofung Water (Pty) Ltd	10,944,000	14,748,998
Equitable share to Maluti-a-Phofung Water (Pty) Ltd	57,555,000	47,040,000
Free basic electricity	38,693,921	-
	107,192,921	**61,788,998**

42. Bulk purchases

Electricity	205,332,047	146,947,709
Water	32,183,029	19,600,108
	237,515,076	**166,547,817**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

43. Cash generated from operations

	2011	2010
Surplus	231,036,171	233,855,449
Adjustments for:		
Depreciation and amortisation	39,124,904	36,340,892
Fair value adjustments	(8,122,832)	131,624
Allowance for debt impairment	(56,137,236)	(20,797,249)
Corrections made	(8,122,980)	-
Changes in working capital:		
Inventories	636,031	(350,900)
Other receivables from exchange transactions	39,721,233	(17,308,155)
Other receivables from non-exchange transactions	1,130,290	-
Consumer receivables	1,310,495	(101,749,572)
Trade and other payables from exchange transactions	(24,938,852)	88,337,143
VAT	(4,744,697)	9,004,356
Taxes and transfers payable (non exchange)	-	3,855,234
Unspent conditional grants and receipts	22,144,077	(25,027,953)
Consumer deposits	1,342,292	1,512,982
	234,378,896	**207,803,851**

44. Contingencies

Management can not reliably estimate the financial effect of the claims due to uncertainties relating to when the cases will be resolved and management are not able to reliably determine the amount payable. The amounts disclosed, where applicable, reflects the claim against the council.

There is no reimbursement from any third parties for potential obligations of the municipality.

All the claims are being contested based on legal advice.

Litigations in the process against the council relating to civil claims include the following:

	2011	2010
1. Claim by council for overpayment to supplier and contra claim by supplier for alleged breach of contract:		
1.1 Claims for alleged breach of contract	13,000,000	13,000,000
1.2 Claim by council for overpayment to supplier	(304,106)	(304,106)
1.3 Claim by supplier for expropriation of land to council	4,415,495	-
2. Claims for services rendered	65,136	33,082
3. Claim by individuals for damages	1,208,529	13,000
4. Claims on arrear payments	4,196,443	170,000
	22,581,497	**12,911,976**

45. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

Figures in Rand	2011	2010

45. Related parties (continued)

- entities that are directly or indirectly controlled by the municipality;
- associates;
- joint ventures and management;
- key management personnel, and close members of the family of key management personnel (note 32 and 33);
- entities in which a substantial ownership interest is held, directly or indirectly, by key management personnel or entities over which such a person is able to exercise significant influence.
- entities that control or exert significant influence over the municipality

The economic entity's key management personnel includes the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

In terms of the MFMA, the municipality may not grant loans to its councillors, management, staff and public with effect from 1 July 2004. Details of loans, together with the conditions thereof, granted prior to this date are disclosed below.

Relationships	
Controlled entity	Refer to note 6
Entity controlled by council member's spouse	Mayihlome Tyres
Close family member of key management	Tshedza Guest Lodge

Related party balances

	2011	2010
Amounts included in trade receivable/(trade payable) regarding related parties		
Maluti-a-Phofung Water (Pty) Ltd	(30,654,184)	(15,019,009)
Maluti-a-Phofung Water (Pty) Ltd	8,039,590	6,795,707
Amounts included in consumer receivables		
Maluti-a-Phofung Water (Pty) Ltd	7,414,949	5,754,816
Amounts included in grants and subsidies paid		
Maluti-a-Phofung Water (Pty) Ltd	68,499,000	61,788,998

Related party transactions

	2011	2010
Amounts included in bulk purchases		
Maluti-a-Phofung Water (Pty) Ltd	32,183,029	19,600,108
Amounts included in general expenses		
Maluti-a-Phofung Water (Pty) Ltd	(1,091,126)	(1,729,157)
Amounts included in repairs and maintenance		
Mayihlome Tyres	658,850	953,996
Amounts included in capital expenditure		

Figures in Rand	2011	2010

45. Related parties (continued)

Mayihlome Tyres	4,144	1,823

Amounts included in accommodation and lodging paid

Tshedza Guest Lodge	14,850	4,990

46. Prior period errors

Contracted services, general expenditure, VAT on these transactions and creditors were understated in 2010, as the invoice was only captured after year end (no provision was made in 2010).

Expenses were indicated on the bank reconciliation as paid but not yet captured - the accumulated surplus, repairs and maintenance, general expenditure was understated as well as the cash book balance. These transactions relate to the 2008 financial year.

Items were appearing in the July bank statement and relating to the 2009-10 financial year were not included in the general ledger - community project expenditure, repairs and maintenance, contracted services, general expenditure, accounts payable and VAT was thus understated.

Direct deposits were banked into the municipality's bank account before 1 November 2008 receipted after 1 November 2008 in Sebata (prior financial system) were overstated as well as the accumulated surplus have been overstated.

Transaction processed against budget overspent vote. The amount was therefore never paid and it had to be reversed because it was long outstanding on the bank reconciliation.

Money for rental was collected by the attorneys, but was incorrectly allocated to the suspense account. Accumulated surplus understated and suspense account overstated.

Transactions wrongly allocated. Accumulated surplus understated, income on arrears account overstated and accounts receivable overstated.

Inward unpaid charges were incorrectly allocated to receipt receival vote. Accumulated surplus was thus overstated and general expenditure and accounts receivable understated.

Direct deposits captured against ledger votes which were duplicated or over receipted. Income was thus overstated and accounts receivable understated.

VAT should have been included in the invoice for grants issued to the municipality, the effect is that grants paid and accounts payable are understated.

Rental income straightlined - contracts were obtained which was not straightlined in prior periods. Rental income and deferred operating lease asset were thus understated.

Transactions captured in ledger, but never paid and were part of the salary interface. The impact is that accumulated surplus is understated and sundry payables overstated.

VAT not claimed on expenses. The impact is that general expenditure, contracted services, infrastructure assets, accumulated surplus and VAT payable were overstated.

Rates income was overstated due to an incorrect valuation of property. The impact is that rates income and accounts

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

46. Prior period errors (continued)

receivable were overstated.

Consumer accounts were incorrectly receipted. The impact is that the accumulated surplus and other accounts receivable were overstated.

Money was short banked by the company - TATS and the municipality did not make a provision in 2009/2010 financial year. The impact is that the electricity sales income, VAT payable and account receivable were understated.

Error in receivables control account corrected. Receivables and income thus understated.

Provision was made against main stores. Creditors thus over provided as well as the provision against main stores.

Refunds incorrectly allocated to the statement of financial position account. Trade and other payables overstated and accumulated surplus understated.

Bringing investment made into books of municipality. Accumulated surplus and investments thus understated.

Direct deposits banked into the municipality's bank account before 1 November 2008. The impact is that accounts receivable and income were overstated.

The correction of the errors resulted in adjustments as follows:

Statement of financial position

Inventory	320,508
Trade and other receivables (exchange transactions)	(576,875)
VAT	7,161,959
Consumer receivables	(2,655,436)
Cash and equivalents	(6,678,031)
Property, plant and equipment	833,752
Trade and other payables from exchange transactions	(9,299,781)
Accumulated surplus	5,662,273
Other financial assets	7,760

Statement of financial performance

Property rates	(3,075,301)
Service charges	2,107,469
Rental of facilities and equipment	2,709
Interest received - consumers	(35,126)
Other income	29,556
Community project expenditure	(323,894)
Repairs and maintenance	(369,088)
Contracted services	(1,872,841)
General expenditure	(1,277,983)
Personnel	(3,350)
Depreciation	(406,022)
	(5,223,871)

47. Risk management

Financial risk management

The municipality has exposure to the following risks from its use of financial instruments:
- Liquidity risk
- Market risk
- Credit risk

This note presents information about the municipality's exposure to each of the above risks and the municipality's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout the annual financial statements.

Credit risk

Credit risk is managed on a group basis.

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

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customer type on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Trade and other receivables (current and non-current portion)

The municipality's trade receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the municipality such as water, sanitation and rates levied. Consumer receivables constitute approximately 47% of the municipality's total exposure to maximum credit risk. The municipality's exposure and credit ratings of its customers are continuously monitored. The municipality establishes an allowance for bad debt that represents its estimate of incurred losses in respect of trade and other receivables. No trade or other receivables have been pledged as security. Certain trade and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the trade and other receivables have been re-negotiated with counterparties.

Trade and other payables

Payables to the municipality's subsidiary Maluti-a-Phofung Water Pty Ltd accounts for 12% of the maximum credit risk exposure for the municipality. The account payable originated in accordance with the sale of business agreement for the purchase of the water service by Maluti-a-Phofung Water. No trade and other payables have been pledged as security. When loans become irrecoverable they are written off. No conditions or terms of the loans have been re-negotiated with counterparties.

Cash and cash equivalents

The municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 1990 (Act No. 94 of 1990) operating in South Africa. No cash and cash equivalents have been pledged as security. No terms or conditions were required to be re-negotiated with the bank and no cash was defaulted on by the bank holding the municipality's cash. There were no restriction with regards to the use of cash, barring the municipality's compliance with

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

47. Risk management (continued)

the Municipal Finance Management Act requirement regarding cash management.

Maximum exposure to credit risk at reporting date was:

Available for sale investments	300	300
Cash and cash equivalents	15,003,154	6,677,647
	15,003,454	**6,677,947**

Maximum exposure to credit risk at reporting date for loans and receivables as per counter parties was:

Consumer receivables (current)	581,236,157	601,150,112
Consumer receivables (non-current)	22,630,995	25,999,793
Other receivables from exchange transactions	35,768,473	75,489,706
Other receivables from non-exchange transactions	-	1,130,290
Other financial assets (current)	19,920,104	27,256,108
Other financial assets (non-current)	16,253,401	19,998,694
	675,809,130	**751,024,703**

Impairment losses

The municipality's consumer receivables (current) have been reviewed for indicators of impairment. Certain receivables were found to be impaired and an allowance has been recorded accordingly. The impaired trade receivables are due from consumers defaulting on service costs levied by the Municipality.

Unimpaired consumer receivables

Current (0 - 30 days)	16,887,056	20,359,533
31 - 60 days	11,346,803	7,903,463
61 - 90 days	10,151,546	8,802,195
90 days +	94,451,255	45,686,982
	132,836,660	**82,752,173**

Impaired consumer receivables

Current (0 - 30 days)	18,437,059	34,514,840
31 - 60 days	12,388,286	13,398,478
61 - 90 days	11,083,321	14,922,069
90 days +	103,120,599	77,451,625
	145,029,265	**140,287,012**

47. Risk management (continued)

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Liquidity risk is the risk that the municipality will not be able to meet its financial obligations as they fall due. The municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

The following are contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

At 30 June 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	9,148,480	-	-
Trade and other payables	178,742,692	-	-	-

At 30 June 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	-	-	70,423,060	-
Trade and other payables	211,039,024	-	-	-

Market risk

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

There has been no change, since the previous financial year, to the municipality’s exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risk

The municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term loans.

At reporting date the interest rate profile of the municipality's interest bearing financial instruments was:

	2011	2010
Fixed rate instruments		
Financial liabilities	9,148,480	70,423,060
Variable rate instruments		
Financial assets	352,919,718	341,251,980

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

47. Risk management (continued)

Financial liabilities	36,026,527	33,873,864
	388,946,245	**375,125,844**

Fair value sensitivity analysis on fixed rate instruments

The municipality does not account for any fixed rate financial assets and liabilities at fair value through surplus and deficit, therefore a change in interest rates at reporting date would not affect surplus and deficit.

Cash flow sensitivity analysis for variable rate instruments

The analysis below assumes that all other variables except interest rates will remain constant. A 100 basis points (2010: 300 basis points) increase or decrease was used to report possible changes in surplus for the year due to interest rate risk. The sensitivity rates are based on management's assessments of reasonable possible changes in interest rates.

30 June 2011	**100 bp increase**	**100 bp decrease**
	Surplus or deficit	
Variable rate instruments	(3,820,360)	(3,820,360)

30 June 2010	**300 bp decrease**	**300 bp increase**
	Surplus or deficit	
Variable rate instruments	(5,626,888)	5,626,888

48. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

49. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Fruitless and wasteful expenditure - current year	326,948	-

The fruitless expenditure relates to interest on Eskom overdue accounts.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

50. Irregular expenditure

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Over-payment of councillors as a result of overpayments of upper limits to councillors as determined by Remuneration of Public Office Bearers Act no 20 of 1998	To be recovered from the individual councillors	4,314,791

51. Presentation of budget information

51.1 Reconciliation between budget and statement of financial performance

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

	2011	2010
Net surplus per the statement of financial performance	231,036,171	233,855,449
Adjusted for:		
Fair value adjustments	(8,122,832)	131,624
Impairments recognised / reversed	(56,137,236)	(20,797,249)
(Over) or underspending - operating expenses	26,267,668	-
(Over) or under spending - capital expenditure	(142,082,277)	(172,450,824)
Net surplus per approved budget	**50,961,494**	**40,739,000**

52. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2011	2010
Current year subscription / fee	1,267,826	958,345
Amount paid - current year	(1,267,826)	(958,345)
	-	-

Audit fees

	2011	2010
Current year subscription / fee	4,312,617	3,449,021
Amount paid - current year	(4,312,617)	(3,449,021)
	-	-

PAYE and UIF

	2011	2010
Opening balance	1,157,254	1,002,996
Current year subscription / fee	20,317,720	18,739,290
Amount paid - current year	(18,709,009)	(17,582,036)
Amount paid - previous years	(1,157,254)	(1,002,996)
	1,608,711	**1,157,254**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

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

Pension and medical aid deductions

Opening balance	2,624,063	2,317,768
Current year subscription / fee	33,798,569	31,091,838
Amount paid - current year	(30,820,297)	(28,467,775)
Amount paid - previous years	(2,624,063)	(2,317,768)
	2,978,272	**2,624,063**

VAT

VAT receivable	31,141,013	23,928,151
VAT payable	(10,849,301)	(8,381,136)
	20,291,712	**15,547,015**

VAT payables and VAT receivables are shown in note 13.

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

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

Councillors' arrear consumer accounts

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

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
A Komako	1,946	28,447	30,393
MC Mositi	1,497	1,104	2,601
MT Mavuso (730870)	326	175	501
MT Mavuso (749817)	-	1,277	1,277
N Mopeli	456	10,249	10,705
SN Mojakisane	2	141	143
TJ Mosikidi	638	2,829	3,467
TR Mohlekwa	1,025	-	1,025
TS Mpakathe (734655)	966	18,102	19,068
TS Mpakathe (749243)	-	255	255
VM Ntamane (735464)	775	8,468	9,243
VM Ntamane (749096)	-	10,675	10,675
QW Lefora	321	-	321
	7,952	**81,722**	**89,674**

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Gamede EN	271	90	361
Lefora QW	459	84	543
Mahlaba MA	361	22,142	22,503
Mohlekwa TR	1,184	652	1,836
Mositi MC	666	69	735
Norman MV	1,214	9,749	10,963
	4,155	**32,786**	**36,941**

53. Utilisation of long-term liabilities reconciliation

	2011	2010
Long-term liabilities raised	20,729,721	26,490,088

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

54. Actual operating expenditure versus budgeted operating expenditure

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

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

55. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

56. Deviation from supply chain management regulations

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

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

The reasons for the following deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Summary of deviations	**Quantity**	**Amount**
Emergency	33	10,395,518
Sole supplier	14	843,061
	47	**11,238,579**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

57. Revenue

Rendering of services	567,274	580,890
Property rates	134,686,846	148,349,730
Service charges	274,025,588	261,506,009
Rental of facilities & equipment	298,730	226,778
Fines	464,529	282,471
Government grants & subsidies	464,432,955	393,450,235
	874,475,922	**804,396,113**

The amount included in revenue arising from rendering of services are as follows:

Rendering of services	567,274	580,890
Service charges	274,025,588	261,506,009
Rental of facilities & equipment	298,730	226,778
	274,891,592	**262,313,677**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	134,686,846	148,349,730
Fines	464,529	282,471
Government grants & subsidies	464,432,955	393,450,235
	599,584,330	**542,082,436**

Rendering of services

Admission fees	157,284	124,025
Callout fees	994	1,822
Cemetery fees	285,737	303,626
Entrance fees	123,259	151,417
	567,274	**580,890**

58. Reversal of allowance for bad debt

(Reversal) / allowance bad-debts	(74,740,680)	(20,797,249)
Debts impaired	18,603,444	-
	(56,137,236)	**(20,797,249)**

59. Repairs and maintenance

Land and buildings	552,197	554,579
Vehicles	2,075,809	3,414,705
General	1,926,232	1,791,753
Street lights, names, signs and stormwaters	6,500,152	3,287,520
Motors and pumps	115,992	53,411
Office equipment, machinery and computers	8,066,206	1,817,442
Roads	16,135,681	6,119,601

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
59. Repairs and maintenance (continued)		
Network reticulation	3,209,294	2,268,339
Substations	101,818	65,421
Traffic lights	-	87,144
	38,683,381	**19,459,915**

60. Interest received - consumers

Consumer receivables	18,444,498	11,147,791

Interest received from consumer receivables are interest charged on overdue accounts.

Appendix A: Schedule of external loans

Schedule of External Loans as at 30 June 2011

	Loan Number	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Other financial liabilities								
DBSA	11018/103	31/12/2012	1,339,786	-	316,537	1,023,249	-	-
DBSA	11019/105	31/15/2015	1,096,774	-	109,485	987,289	-	-
DBSA	11021/102	31/12/2015	284,613	-	28,412	256,201	-	-
DBSA	11076/103	30/06/2018	1,307,244	-	76,165	1,231,079	-	-
DBSA	11078/202	30/06/2018	1,346,153	-	78,433	1,267,720	-	-
DBSA	11084/103	31/12/2015	2,698,058	-	269,333	2,428,725	-	-
DBSA	13768/102	31/12/2020	1,165,965	-	40,894	1,125,071	-	-
DBSA	13768/202	31/12/2020	1,018,869	-	35,735	983,134	-	-
DBSA	13766/302	31/12/2021	1,350,852	-	39,593	1,311,259	-	-
FNB	4000014650706	01/10/2012	-	18,652,327	2,775,966	15,876,361	-	-
			11,608,314	**18,652,327**	**3,770,553**	**26,490,088**	**-**	**-**
Finance lease obligations								
ABSA	69307910	01/01/2011	66,599	-	40,250	26,349	-	-
ABSA	69307928	01/01/2011	66,600	-	40,240	26,360	-	-
ABSA	69307901	08/01/2011	67,414	-	40,734	26,680	-	-
ABSA	68643746	01/10/2010	59,225	-	43,286	15,939	-	-
ABSA	68643738	01/10/2010	33,920	-	24,815	9,105	-	-
ABSA	68643304	01/10/2010	33,931	-	24,785	9,146	-	-
ABSA	68643290	01/10/2010	33,931	-	24,785	9,146	-	-
ABSA	68648128	01/10/2010	34,097	-	24,940	9,157	-	-
ABSA	68648110	01/10/2010	34,097	-	24,940	9,157	-	-
ABSA	68648101	01/10/2010	34,097	-	24,939	9,158	-	-
ABSA	68648098	01/10/2010	34,097	-	24,939	9,158	-	-
ABSA	68648080	01/10/2010	34,097	-	24,940	9,157	-	-
ABSA	68648071	01/10/2010	34,097	-	24,940	9,157	-	-
Quince asset managment	CF22/34	01/11/2010	1,145,380	-	761,455	383,925	-	-
			1,711,582	**-**	**1,149,988**	**561,594**	**-**	**-**

Supplementary Information

Appendix B: Analysis of property, plant and equipment

Maluti-a-Phofung Local Municipality
Maluti-a-Phofung Local Municipality
APPENDIX B
June 2011

Analysis of property, plant and equipment as at 30 Jun

	Cost/Revaluation				Accumulated
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	
Land and buildings	-	-	-	-	
Infrastructure	-	-	-	-	
Community Assets	-	-	-	-	

Supplementary Information

Appendix C: Segmental analysis of property, plant and equipment

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

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand
Municipality	1,115,564	242,017	-	-	-	-
Undefined Difference:						
Undefined Difference:	(630)	(287)			(8,123)	
Total	1,115,564	242,017	-	-	-	-

Supplementary Information

Appendix D: Segmental Statement of Financial Performance

Maluti-a-Phofung Local Municipality
APPENDIX D
June 2011

Segmental Statement of Financial Performance for the year ended

Prior Year | **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
213,180,235	83,630,988	129,549,247
50,401,027	124,136,639	(73,735,612)
344,052	12,238,718	(11,894,666)
-	-	-
65,630	18,104,274	(18,038,644)
18,446	5,061,189	(5,042,743)
656,167	27,984,084	(27,327,917)
603,687	25,550,839	(24,947,152)
-	-	-
18,168,743	74,171,876	(56,003,133)
142,113,123	4,103,535	138,009,588
86,126,324	15,147,693	70,978,631
157,943,865	196,569,115	(38,625,250)
151,425,031	-	151,425,031
821,046,330	**586,698,950**	**234,347,380**

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

APPENDIX E(1)

June 2011

Yearly

	Current year 2010 Act. Bal. Rand	Current year 2010 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Rendering of services	567,274	(1,171,485)	1,738,759	(148.4)	
Property rates	134,686,846	(5,058,077)	139,744,923	(2,762.8)	
Service charges	274,025,588	(3,266,362)	277,291,950	(8,489.3)	
Rental of facilities and equipment	298,730	(4,622,764)	4,921,494	(106.5)	
Interest received - Consumers	18,444,498	(234,409)	18,678,907	(7,968.5)	
Fines	464,529	(713,520)	1,178,049	(165.1)	
Government grants & subsidies	464,432,955	(43,068,500)	507,501,455	(1,178.4)	
Other income	2,733,047	(20,910,838)	23,643,885	(113.1)	
Interest received - investment	2,207,574	(57,939)	2,265,513	(3,910.2)	
	897,861,041	(79,103,894)	976,964,935	(1,235.0)	
Expenses					
Personnel	(150,484,134)	(61,900,468)	(88,583,666)	143.1	
Manufacturing - Employee costs	(4,672,831)	(39,594,537)	34,921,706	(88.2)	
Remuneration of councillors	(15,168,216)	(15,005,728)	(162,488)	1.1	
Administration	(13,995,729)	(146,802,323)	132,806,594	(90.5)	
Depreciation	(39,124,904)	(20,588,313)	(18,536,591)	90.0	
Finance costs	(3,115,632)	18,850,000	(21,965,632)	(116.5)	
Debt impairment	56,137,236	(20,000)	56,157,236	(280,786.2)	
Repairs and maintenance - General	(38,683,381)	(32,880,159)	(5,803,222)	17.6	
Bulk purchases	(237,515,076)	(25,136,489)	(212,378,587)	844.9	
Contracted Services	(66,764,011)	(71,365,791)	4,601,780	(6.4)	
Grants and subsidies paid	(107,192,921)	(173,070)	(107,019,851)	61,836.2	
General Expenses	(54,368,103)	197,760,314	(252,128,417)	(127.5)	
	(674,947,702)	(196,856,564)	(478,091,138)	242.9	
Other revenue and costs					
Fair value adjustments	8,122,832	(5,000)	8,127,832	(162,556.6)	
	8,122,832	(5,000)	8,127,832	(162,556.6)	
Net surplus/ (deficit) for the year					

APPENDIX E(1)
June 2011

Yearly

Current year 2010 Act. Bal.	Current year 2010 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
231,036,171	(275,965,458)	(469,963,306)	170.3	

Supplementary Information

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

Maluti-a-Phofung Local Municipality
Maluti-a-Phofung Local Municipality
APPENDIX F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did y munic lity co ly wi the gr condit s ir terms gran frame k in t lates Divis of Rever Ac
		Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Sep		Yes/
MSIG	National Treasury	735,000	-	-	-	384,260	10,740	-	-	-	N/A	Yes
MIG	National Treasury	29,523,000	24,648,000	28,156,000	22,793,000	14,306,262	37,415,463	23,645,801	36,540,763	5,164,000	N/A	Yes
Integrated National Electrification Programme (Municipal) Grant	DME	580,000	-	9,535,000	-	1,342,682	1,903,783	6,686,603	5,783,948	-	N/A	Yes
200 RDP Houses	DPLG & Housing	-	-	-	-	-	-	356,982	149,278	-	N/A	Yes
ICT Strategy	DBSA	764,284	-	168,216	-	395,600	365,204	-	172,000	-	N/A	Yes
WSOSG	Dept of Water Affairs & Forestry	3,687,000	3,687,000	3,687,250	-	3,687,250	3,449,250	3,925,249	3,687,249	-	N/A	Yes
RBIG (DWAF)	Dept of Water Affairs & Forestry	-	10,694,794	11,989,895	-	3,134,512	6,161,901	7,693,895	7,070,074	-	N/A	Yes
FMG	National Treasury	750,000	-	-	-	-	-	-	732,619	-	N/A	Yes
Expanded Public Works Programme Incentive Grant For Municipalities	National Treasury	-	820,050	-	-	-	-	-	-	-	N/A	Yes
Installation and mainteance of security equipment	Department of Police, Roads & Transport	-	-	10,000,000	-	-	-	-	3,832,756	-	N/A	Yes
Operation Hlasela projects	Department of Social development	-	-	1,450,000	-	-	-	-	-	-	N/A	Yes
Intabazwe Corridor Development Grant	Department of Provincial and Local Government	-	-	-	-	5,595,239	5,097,788	5,078,676	5,601,564	-	N/A	Yes
		36,039,284	39,849,844	64,986,361	22,793,000	28,845,805	54,404,129	47,387,206	63,570,251	5,164,000		

Supplementary Information

Appendix G: Bank and Cash balances

Maluti-a-Phofung Local Municipality
Maluti-a-Phofung Local Municipality
APPENDIX F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did y munic lity co ly wi the gr condit s i terms gran frame k in t lates Divis of Rever Act
		Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Sep		Yes/
MSIG	National Treasury	735,000	-	-	-	384,260	10,740	-	-	-	N/A	Yes
MIG	National Treasury	29,523,000	24,648,000	28,156,000	22,793,000	14,306,262	37,415,463	23,645,801	36,540,763	5,164,000	N/A	Yes
Integrated National Electrification Programme (Municipal) Grant	DME	580,000	-	9,535,000	-	1,342,682	1,903,783	6,686,603	5,783,948	-	N/A	Yes
200 RDP Houses	DPLG & Housing	-	-	-	-	-	-	356,982	149,278	-	N/A	Yes
ICT Strategy	DBSA	764,284	-	168,216	-	395,600	365,204	-	172,000	-	N/A	Yes
WSOSG	Dept of Water Affairs & Forestry	3,687,000	3,687,000	3,687,250	-	3,687,250	3,449,250	3,925,249	3,687,249	-	N/A	Yes
RBIG (DWAF)	Dept of Water Affairs & Forestry	-	10,694,794	11,989,895	-	3,134,512	6,161,901	7,693,895	7,070,074	-	N/A	Yes
FMG	National Treasury	750,000	-	-	-	-	-	-	732,619	-	N/A	Yes
Expanded Public Works Programme Incentive Grant For Municipalities	National Treasury	-	820,050	-	-	-	-	-	-	-	N/A	Yes
Installation and mainteance of security equipment	Department of Police, Roads & Transport	-	-	10,000,000	-	-	-	-	3,832,756	-	N/A	Yes
Operation Hlasela projects	Department of Social development	-	-	1,450,000	-	-	-	-	-	-	N/A	Yes
Intabazwe Corridor Development Grant	Department of Provincial and Local Government	-	-	-	-	5,595,239	5,097,788	5,078,676	5,601,564	-	N/A	Yes
		36,039,284	39,849,844	64,986,361	22,793,000	28,845,805	54,404,129	47,387,206	63,570,251	5,164,000		

Supplementary Information

Appendix H: Directors remuneration

Maluti-a-Phofung Local Municipality
Maluti-a-Phofung Local Municipality
APPENDIX F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2011

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / withheld	Reason for delay/withholding of funds	Did yo munic lity co ly wi the gr condit s in terms gran frame k in t lates Divis of Reven Act
		Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Sep		Yes/
MSIG	National Treasury	735,000	-	-	-	384,260	10,740	-	-	-	N/A	Yes
MIG	National Treasury	29,523,000	24,648,000	28,156,000	22,793,000	14,306,262	37,415,463	23,645,801	36,540,763	5,164,000	N/A	Yes
Integrated National Electrification Programme (Municipal) Grant	DME	580,000	-	9,535,000	-	1,342,682	1,903,783	6,686,603	5,783,948	-	N/A	Yes
200 RDP Houses	DPLG & Housing	-	-	-	-	-	-	356,982	149,278	-	N/A	Yes
ICT Strategy	DBSA	764,284	-	168,216	-	395,600	365,204	-	172,000	-	N/A	Yes
WSOSG	Dept of Water Affairs & Forestry	3,687,000	3,687,000	3,687,250	-	3,687,250	3,449,250	3,925,249	3,687,249	-	N/A	Yes
RBIG (DWAF)	Dept of Water Affairs & Forestry	-	10,694,794	11,989,895	-	3,134,512	6,161,901	7,693,895	7,070,074	-	N/A	Yes
FMG	National Treasury	750,000	-	-	-	-	-	-	732,619	-	N/A	Yes
Expanded Public Works Programme Incentive Grant For Municipalities	National Treasury	-	820,050	-	-	-	-	-	-	-	N/A	Yes
Installation and mainteance of security equipment	Department of Police, Roads & Transport	-	-	10,000,000	-	-	-	-	3,832,756	-	N/A	Yes
Operation Hlasela projects	Department of Social development	-	-	1,450,000	-	-	-	-	-	-	N/A	Yes
Intabazwe Corridor Development Grant	Department of Provincial and Local Government	-	-	-	-	5,595,239	5,097,788	5,078,676	5,601,564	-	N/A	Yes
		36,039,284	39,849,844	64,986,361	22,793,000	28,845,805	54,404,129	47,387,206	63,570,251	5,164,000		