



**MOQHAKA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2010**

DRAFT

I am responsible for the presentation of these annual financial statements, which are set out on pages 1 to 47, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

MS Mqwathi
Municipal Manager

**MOQHAKA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

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**MOQHAKA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of operations and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Moqhaka area
Legal form	An organ of state within the local sphere of government exercising legislative and executive authority
Jurisdiction	The entity is a local municipality, as demarcated by the Demarcation Board
Grading of local authority	The Moqhaka Municipality is a grade 4 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998
Relevant legislation	The Constitution of the Republic of South Africa The Municipal Structures Act 117 of 1998 The Municipal Systems Act 32 of 2000 The Municipal Finance Management Act 56 of 2003 The Municipal Property Rates Act 6 of 2004 The Basic Conditions of Employment Act 75 of 1997 The Value Added Tax Act 89 of 1991 The Skills Development Act 9 of 1999 The Water Service Act 108 of 1997 The Housing Act of 1997 The Promotion of Access to Information Act 2 of 2000 The Disaster Management Act 57 of 2000
Business address	PO Box 302 Kroonstad 9500
Registered office	Municipal Offices Hill Street Kroonstad 9499
Bankers	ABSA Bank Limited: Kroonstad First National Bank: Steynsrus
Auditors	The Auditor General: Free State
Attorneys	Du Randt and Louw
Municipal Manager	Mqwathi, MS
Chief Financial Officer	Mokoena, MP (since August 2010)
Executive Mayor	Mokgosi MA

**MOQHAKA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

Councillors and their portfolios

Speaker	Mohapi MJ
Chairperson WHIP	Mareka J
Members of The Mayoral Committee	Councillor: Matli SJ Councillor: Matshidisho DA Councillor: Mokoena S Councillor: Moletsane ER Councillor: Nakedi ACWD Councillor: Pietersen ML Councillor: Thipane MP
Members of Council	Councillor: Brink DJ Councillor: Dire AMS Councillor: George DSL Councillor: Grimbeek SA Councillor: Hatting JM Councillor: Jordaan ECJ Councillor: Kolo MA Councillor: Leokaoke TJ Councillor: Letsabo MJ Councillor: Machobane ML Councillor: Makale DM Councillor: Makau TL Councillor: Makwele EM Councillor: Manefeldt ZJC Councillor: Mantso KM Councillor: Masuret A Councillor: Mbono MD Councillor: Mckenzie AE Councillor: Mkhotheri NW Councillor: Mkhwanazi TM Councillor: Moabi ME Councillor: Moamogoa MS Councillor: Mofokeng MJ Councillor: Mohlolo PM Councillor: Mokodutlo NP Councillor: Mokotla ME Councillor: Monoto MA Councillor: Notsi EM Councillor: Pittaway M Councillor: Ramotsie JM Councillor: Raphuting PP Councillor: Seakhela SS Councillor: Seheri MF Councillor: Shahim DM Councillor: Rautenbach Councillor: Taje FM Councillor: Tau SS Councillor: Tladi SB Councillor: Tumisi TJ Councillor: Viljoen AH Councillor: Wille GV

**MOQHAKA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010**

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	Note	2010 R	2009 Restated R
ASSETS			
Non-current assets		1 142 428 775	1 110 057 146
Property, plant and equipment	1	1 118 122 256	1 085 284 038
Intangible Assets	2	977 680	1 228 303
Investment Property	3	23 213 775	23 355 009
Investments	4	115 064	189 796
Current assets		73 283 880	101 239 984
Inventory	6	3 601 578	4 522 420
Consumer receivables from exchange transactions	7	55 319 769	74 463 356
Other receivables from exchange transactions	8	2 169 810	1 172 238
Receivable from operating lease	9	90 524	77 015
Cash and cash equivalents	10	2 805 961	1 008 087
VAT receivable	17	7 180 820	18 135 128
Investments	4	2 115 418	1 861 740
Total assets		1 215 712 655	1 211 297 130
NET ASSETS AND LIABILITIES			
Net assets		1 050 789 982	1 058 455 015
Accumulated surplus		1 050 789 982	1 058 455 015
Non-current liabilities		31 258 699	26 283 192
Loans and borrowings	11	29 319 220	23 495 216
Provisions	12	1 939 479	2 787 976
Current liabilities		133 663 974	126 558 923
Consumer deposits	13	7 237 055	6 415 264
Employee benefits	14	3 954 788	4 008 542
Payables from exchange transactions	15	102 416 615	81 420 892
Unspent conditional grants and receipts	16	2 724 364	5 932 950
VAT payable	17	4 050 840	8 122 125
Bank Overdraft	10	893	9 896 755
Loans and borrowings	11	13 279 418	10 762 394
Total net assets and liabilities		1 215 712 655	1 211 297 130

**MOQHAKA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

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	Note	2010 R	2009 Restated R
INCOME			
Property rates	18	34 342 953	28 090 868
Service charges	19	177 144 235	138 801 718
Rental income		3 160 310	2 690 747
Interest earned - outstanding receivables		4 154 269	5 223 689
Fines		813 557	765 069
Government grants and subsidies	21	147 890 998	107 420 026
Other income	22	5 003 027	11 169 637
Gain on disposal of property, plant and equipment		-	428 303
Fair value through surplus and deficit		30 896	4 336
Total income		372 540 246	294 594 393
EXPENDITURE			
Employee related costs	23	119 246 354	111 288 397
Remuneration of councillors	24	12 009 197	11 217 905
Impairment of debtor accounts		36 014 315	29 129 102
Write off erven sales		3 002 698	-
Depreciation		45 000 356	44 489 855
Impairment of assets		-	608 804
Repairs and maintenance		17 892 423	19 864 078
Loss on disposal of property, plant and equipment		130 034	-
Bulk purchases	26	86 326 205	64 454 175
Contracted services		6 481 740	6 336 442
General expenses	27	44 291 130	51 357 000
Total expenditure		370 394 452	338 745 760
NET FINANCE COST			
Investment income	20	230 231	563 157
Finance cost	25	(10 041 057)	(7 464 865)
Net finance cost		(9 810 827)	(6 901 708)
DEFICIT FOR THE YEAR		(7 665 033)	(51 053 075)

(a) Refer to Appendix E1 for the comparison with the approved budget.

**MOQHAKA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010**

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	Accumulated Surplus/ (Deficit) R	Total R
Balance at 30 June 2008 as previously reported	1 119 144 566	1 119 144 566
Restatement of opening balance	(9 636 476)	(9 636 476)
Balance at 30 June 2008 restated	1 109 508 090	1 109 508 090
Surplus/(deficit) for the year (restated)	(51 053 075)	(51 053 075)
Balance at 30 June 2009	1 058 455 015	1 058 455 015
Surplus/(deficit) for the year	(7 665 033)	(7 665 033)
Balance at 30 June 2010	1 050 789 982	1 050 789 982

**MOQHAKA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010**

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	Note	2010 R	2009 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		350 486 781	270 496 782
Cash paid to suppliers and employees		(259 159 733)	(270 834 885)
Cash generated from operations	28	91 327 048	(338 101)
Interest received		192 417	5 223 689
Dividends received		37 814	563 157
Interest paid		(10 041 057)	(7 464 865)
NET CASH FLOW FROM OPERATING ACTIVITIES		81 516 221	(2 016 120)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisitions for property, plant and equipment		(78 016 981)	(3 855 083)
Increase in investments		(148 050)	(1 031 966)
Proceeds on disposal of property, plant and equipment		1 518	1 474 624
NET CASH FLOW FROM INVESTING ACTIVITIES		(78 163 513)	(3 412 425)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipts from / (Repayment of) borrowings		8 341 028	(245 931)
NET CASH FLOW FROM FINANCING ACTIVITIES		8 341 028	(245 931)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			
		11 693 737	(5 674 476)
Cash and cash equivalents at the beginning of the year		(8 888 669)	(3 214 192)
Cash and cash equivalents at the end of the year	10	2 805 068	(8 888 669)

1 PROPERTY, PLANT AND EQUIPMENT

30 June 2010

Reconciliation of Carrying Value

	Infrastructure work in progress*	Land	Buildings	Infrastructure	Community assets - Land	Community assets - Buildings	Heritage	Other	Total
	R	R	R	R	R	R	R	R	R
Carrying values at 1 July 2009		6 349 092	12 469 931	1 000 400 092	920 448	32 653 709	17 544	32 473 223	1 085 284 038
Cost		6 349 092	21 226 446	2 137 285 459	920 448	80 442 049	17 544	45 416 647	2 291 657 685
Accumulated depreciation		-	(8 756 516)	(1 136 885 367)	-	(47 788 340)	-	(12 943 424)	(1 206 373 647)
Acquisitions	60 801 087	-	-	2 832 762	-	-	-	14 383 132	78 016 981
Depreciation		-	(249 835)	(39 177 186)	-	(1 888 696)	-	(3 731 494)	(45 047 210)
Transfer to completed	(18 683 756)	-	-	18 683 756	-	-	-	-	-
Carrying value of disposals		-	-	-	-	-	-	(131 552)	(131 552)
Cost / revaluation		-	-	-	-	-	-	(136 504)	(136 504)
Accumulated depreciation		-	-	-	-	-	-	4 953	4 953
Carrying values at 30 June 2010	42 117 331	6 349 092	12 220 096	982 739 424	920 448	30 765 013	17 544	42 993 309	1 118 122 256
Cost	42 117 331	6 349 092	21 226 446	2 158 801 977	920 448	80 442 049	17 544	59 663 274	2 369 538 160
Accumulated depreciation		-	(9 006 350)	(1 176 062 553)	-	(49 677 036)	-	(16 669 965)	(1 251 415 904)

* Infrastructure Work in Progress refers to infrastructure projects which are still in the process of being completed. In prior years these assets were capitalised and included in Infrastructure. Starting in the current financial year these assets are separately shown. However it was impracticable to recalculate the prior year number.

30 June 2009

Reconciliation of Carrying Value

	Land	Buildings	Infrastructure	Community assets - Land	Community assets - Buildings	Heritage	Other	Total
	R	R	R	R	R	R	R	R
Carrying values at 1 July 2008	6 349 092	12 685 122	1 036 090 065	920 448	34 542 405	17 544	35 944 352	1 126 549 027
Cost	6 349 092	21 192 846	2 134 550 582	920 448	80 442 049	17 544	47 072 114	2 290 544 676
Accumulated depreciation	-	(8 507 724)	(1 098 460 518)	-	(45 899 645)	-	(11 127 762)	(1 163 995 649)
Acquisitions	-	33 600	2 734 877	-	-	-	1 504 574	4 273 051
Depreciation	-	(248 791)	(38 424 849)	-	(1 888 696)	-	(3 320 578)	(43 882 914)
Carrying value of disposals	-	-	-	-	-	-	(1 046 321)	(1 046 321)
Cost / revaluation	-	-	-	-	-	-	(3 160 041)	(3 160 041)
Accumulated depreciation	-	-	-	-	-	-	2 113 720	2 113 720
Impairment losses	-	-	-	-	-	-	(608 804)	-
Carrying values at 30 June 2009	6 349 092	12 469 931	1 000 400 092	920 448	32 653 709	17 544	32 473 223	1 085 284 038
Cost	6 349 092	21 226 446	2 137 285 459	920 448	80 442 049	17 544	45 416 647	2 291 657 685
Accumulated depreciation	-	(8 756 516)	(1 136 885 367)	-	(47 788 340)	-	(12 943 424)	(1 206 373 647)

There are currently no restrictions on title and property, plant and equipment as a result of them being pledged as securities for liabilities.

The entity currently has the following capital commitments with regards to capital expenditure on Infrastructure assets: (refer to note 30 for detailed disclosures regarding capital commitments)

	2010 R	2009 R
Approved and contracted for	58 526 685	59 874 697
	<u>58 526 685</u>	<u>59 874 697</u>

Prior period amounts have been restated. Refer to note 43 for an explanation of the restatements made.

Included in *Other Income* is an amount of R149 933 received from insurers for items of Property, Plant and Equipment that were damaged, lost or given up.

Included in other assets is leased vehicles and equipment.

	2010 R	2009 R
Net carrying value of leased assets		
Motor vehicles	11 010 592	-
Office Equipment	6 731 341	8 848 283
	<u>17 741 933</u>	<u>8 848 283</u>
Lease liability (refer note 11)		
Motor vehicles	(8 952 232)	(22 953)
Office Equipment	(7 120 348)	(6 529 864)
	<u>(16 072 580)</u>	<u>(6 552 817)</u>

2 INTANGIBLE ASSETS

	2010	2009
	R	Restated R
Opening carrying value	1 228 303	1 694 008
Cost	2 610 724	2 610 724
Accumulated amortisation	(1 382 420)	(916 716)
Acquisitions	-	-
Amortisation	(250 623)	(465 705)
Closing carrying value	977 680	1 228 303
Cost	2 610 724	2 610 724
Accumulated amortisation	(1 633 044)	(1 382 420)

Intangible assets consists of computer software

3 INVESTMENT PROPERTY

30 June 2010

Reconciliation of Carrying Value

	Land	Buildings	Total
	R	R	R
Carrying values at 1 July 2009	16 292 931	7 062 077	23 355 009
Cost	16 292 931	13 755 610	30 048 541
Accumulated depreciation	-	(6 693 533)	(6 693 533)
Depreciation	-	(141 234)	(141 234)
Carrying values at 30 June 2010	16 292 931	6 920 844	23 213 775
Cost	16 292 931	13 755 610	30 048 541
Accumulated depreciation	-	(6 834 767)	(6 834 767)

30 June 2009

Reconciliation of Carrying Value

	Land	Buildings	Total
Carrying values at 1 July 2008	16 292 931	7 203 311	23 496 242
Cost	16 292 931	13 755 610	30 048 541
Accumulated depreciation	-	(6 552 299)	(6 552 299)
Depreciation	-	(141 234)	(141 234)
Carrying values at 30 June 2009	16 292 931	7 062 077	23 355 009
Cost	16 292 931	13 755 610	30 048 541
Accumulated depreciation	-	(6 693 533)	(6 693 533)

Prior period amounts have been restated. Refer to note 43 for an explanation of the restatements made.

	2010 R	2009 Restated R
4 INVESTMENTS		
Unlisted Shares	173 245	142 349
Senwes Ltd Shares	89 847	66 203
Senwesbel Ltd Shares	83 398	76 146
Financial instruments	2 057 237	1 909 187
Short-term deposits maturing before 12 months	1 942 173	1 861 740
Fixed deposits	115 064	47 447
Total cash investments		
Total investments	2 230 482	2 051 536
Non-current investments	115 064	189 796
Unlisted Shares	-	142 349
Fixed Deposits	115 064	47 447
Current investments	2 115 418	1 861 740
Unlisted Shares	173 245	
Short-term deposits maturing before 12 months	1 942 173	1 861 740
Council's valuation of unlisted shares (Market value)	173 245	142 349
Senwes Ltd Shares	89 847	66 203
Senwesbel Ltd Shares	83 398	76 146

Unlisted Shares

Unlisted shares consist of equity shares in Senwesbel Limited (no. of shares 18 130) and Senwes Limited (no. of shares 11 822). There was no movement in the volume of shares during the financial year.

Pledged investments

An investment of R11 300 held at First National Bank is pledged as security to Eskom for the electricity connection.

Fair value of investments

Fair values are determined annually at the reporting date. The fair value of Fixed Deposits and Short Term Deposits approximate their carrying values. The fair value of Listed Shares are determined by reference to their quoted price.

5 LONG-TERM RECEIVABLES

Housing selling scheme loans	-	39 142
Less: provision for bad debt	-	(39 142)
Total long-term receivables	-	-

Housing loans are granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 7% per annum and are repayable over 10 years.

6	INVENTORY	2010	2009
		R	Restated R
	Consumables - at cost	3 358 255	4 381 719
	Water inventory	184 529	106 208
	Capital projects inventory	58 794	34 493
	Total inventory	3 601 578	4 522 420

6.1 Inventories at fair value less cost to sell

None of the inventories held by the municipality were measured at fair value less cost to sell.

Inventory recognised as an expense amounted to R 10 673 834 in the current year (2009: R19 706 694).

6.2 Write downs of inventories and reversals of inventories

Inventories held by the municipality were written down by R108 680 during the current year. There were no inventories written down in the prior year.

7 CONSUMER RECEIVABLES

	Gross Balance	Provision for Bad Debt	Net Balance
As at 30 June 2010			
Service receivables	217 955 926	(162 636 157)	55 319 769
Electricity	25 261 387	(17 156 872)	8 104 516
Refuse	21 890 287	(17 565 436)	4 324 851
Sewerage	22 315 200	(17 339 309)	4 975 891
Assessment rates	22 631 543	(9 622 128)	13 009 415
Water	57 986 994	(43 475 993)	14 511 001
Sundry Services	22 263 281	(19 532 304)	2 730 977
Interest on Debtors	44 065 358	(36 761 303)	7 304 055
Deposits	1 541 876	(1 182 812)	359 064
As at 30 June 2009 (Restated)			
Service receivables	196 598 804	(122 135 448)	74 463 356
Electricity	25 703 252	(12 421 871)	13 281 381
Refuse	20 493 360	(10 280 439)	10 212 920
Sewerage	19 960 234	(9 875 277)	10 084 957
Assessment rates	20 030 823	(16 654 096)	3 376 727
Water	42 304 670	(21 490 256)	20 814 414
Sundry Services	25 911 946	(24 779 236)	1 132 710
Interest on Debtors	40 956 400	(25 812 746)	15 143 654
Deposits	1 238 119	(821 526)	416 593
	2010	2009	
	R	Restated R	
Rates: ageing	22 631 543	20 030 823	
Current (0 – 30 days)	1 996 719	2 881 687	
31 - 60 Days	805 612	1 734 161	
61 - 90 Days	614 516	1 277 906	
90+ Days	19 214 696	14 137 069	
Electricity, Water, Refuse and Sewerage: ageing	195 324 384	176 567 981	
Current (0 – 30 days)	10 619 741	12 060 535	
31 - 60 Days	4 519 992	4 453 731	
61 - 90 Days	3 722 236	3 805 717	
90+ Days	176 462 415	156 247 998	

7 CONSUMER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continue)

<u>Summary of receivables by customer classification</u>	<u>Consumers</u>	<u>Industrial/Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
30 June 2010			
Current (0 – 30 days)	6 054 223	4 274 019	2 288 218
31 - 60 Days	4 664 270	473 357	187 977
61 - 90 Days	3 971 358	246 807	118 587
90+ Days	185 482 243	9 604 262	590 606
Sub-total	200 172 094	14 598 445	3 185 388
Less: Provision for bad debt	(153 548 300)	(8 897 999)	(189 858)
Total receivables by customer classification	46 623 794	5 700 446	2 995 530
30 June 2009 (Restated)			
Current (0 – 30 days)	7 392 360	5 367 439	2 182 423
31 - 60 Days	4 350 500	732 373	1 105 020
61 - 90 Days	4 160 911	367 749	554 962
90+ Days	166 330 962	2 130 652	1 923 452
Sub-total	182 234 733	8 598 213	5 765 857
Less: Provision for bad debt	(109 568 144)	(9 417 793)	(3 149 511)
Total receivables by customer classification	72 666 589	(819 580)	2 616 346
	2010	2009	
	R	Restated	R
Reconciliation of bad debt provision			
Balance at beginning of year	122 135 448	89 198 255	
Contributions to provision	36 014 315	29 129 102	
Less: Amounts of VAT that have been included in the provision	4 668 238	3 809 301	
Bad debts written off against provision	(181 844)	(1 210)	
Balance at the end of the year	162 636 157	122 135 448	

7.1 Fair value of consumer receivables

The fair value of consumer receivables approximate their carrying values

8 OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2010	2009
	R	Restated
		R
Other receivables	2 169 810	143 856
Unallocated amounts	-	1 028 382
Total other receivables	2 169 810	1 172 238

Fair value of other receivables

The fair value other receivables approximate their carrying values.

9	2010	2009
RECEIVABLE FROM OPERATING LEASE	R	Restated R
Deferred operating lease asset	90 524	77 015
Total operating lease assets	90 524	77 015

The Municipality leases out grazing camps under operating leases. The future minimum lease payments are as follows:

Not later than 1 year	193 685	76 709
Between 1 and 5 years	296 234	332 413
Later than 5 years	-	8 873
	489 919	417 995

Detail of operating leases

Grazing camps near Steynsrus, Viljoenskroon and Kroonstad and other properties and buildings owned by the municipality are leased to various individuals over a period of 3 - 5 years with an average increase rate of 10% per annum.

10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and bank balances.

Cash and bank balances	2 805 961	1 008 087
Bank overdraft (See note 36)	(893)	(9 896 755)
Total cash and cash equivalents	2 805 068	(8 888 669)

10.1 Pledged as security

None of the municipality's bank accounts were pledged as security for the bank overdraft as at year end

10.2 Fair value of cash and cash equivalents

The fair value of the cash and cash equivalents approximate their carrying values

11 LONG-TERM BORROWINGS

11.1 Long term loans	42 598 638	34 257 610
Annuity loans	26 526 057	24 946 114
Finance lease liabilities - vehicles (note 11.1.1)	8 952 232	22 953
Finance lease liabilities - equipment (note 11.1.2)	7 120 348	9 288 543
Less: current portion transferred to current liabilities	13 279 418	10 762 394
Annuity loans	7 495 271	7 468 710
Finance lease liabilities - vehicles	3 373 478	22 953
Finance lease liabilities - equipment	2 410 668	3 270 731
Total long-term borrowings	29 319 220	23 495 216

Refer to Appendix A for more detail on long-term borrowings.

11	LONG-TERM BORROWINGS (continue)	2010	2009
11.2	OBLIGATION UNDER FINANCE LEASE		Restated
		R	R
11.2.1	Finance lease liabilities - vehicles		
	Not later than 1 year	4 082 540	23 662
	Between 1 and 5 years	6 062 513	-
	Minimum lease payments	10 145 053	23 662
	Less future finance charges	(1 192 821)	(709)
	Present value of minimum lease payments	8 952 232	22 953
	Included in the financial statements as follows:		
	Current borrowings	3 373 478	22 953
	Non-current borrowings	5 578 754	-
		8 952 232	22 953

Detail of vehicle finance leases

Finance leases are secured by the vehicles leased. The borrowings are a mixture of variable and fixed interest rate debt ABSA. The repayment periods do not exceed 5 years (refer to note 1).

11.2.2 Finance lease liabilities - Equipment

	Not later than 1 year	3 590 447	3 270 731
	Between 1 and 5 years	6 144 949	9 735 395
	Minimum lease payments	9 735 395	13 006 126
	Less future finance charges	(2 615 047)	(3 717 583)
	Present value of minimum lease payments	7 120 348	9 288 543
	Included in the financial statements as follows:		
	Current borrowings	2 410 668	3 270 731
	Non-current borrowings	4 709 680	6 017 812
		7 120 348	9 288 543

Detail of equipment finance leases

Finance leases are secured by the equipment leased. The borrowings are a mixture of variable and fixed interest rate debt at Minolta and Nashua. The repayment periods do not exceed 5 years (refer to note 1).

12 NON-CURRENT PROVISIONS	2010	2009
	R	Restated R
Provision for the rehabilitation cost of landfill sites	1 325 310	1 672 243
Provision for the rehabilitation cost of quarries	614 169	1 115 733
Total non-current provisions	1 939 479	2 787 976

The movement in these non-current provisions are reconciled as follows:-

Landfill sites	1 325 309	1 672 243
Balance at beginning of year	1 672 243	1 256 243
Increase in provision	346 760	559 551
Expenditure incurred	(693 694)	(143 551)
Balance at end of year		
Quarries	614 169	1 115 734
Balance at beginning of year	1 115 734	487 480
Increase / (decrease) in provisions	(501 565)	628 254
Expenditure incurred	-	-
Balance at end of year		

In terms of the Mineral and Petroleum Resources Development Act, 2002 (Act No 28 of 2002), it is required from the municipality to execute the environmental management program to restore the landfill sites and quarries at Kroonstad, Viljoenskroon and Steynsrus. Provision has been made for this cost based on actual valuations received. No significant judgments were made, because actual quotations were obtained at the specified dates to determine these costs.

Detail on rehabilitation provision for landfill sites quarries:

Kroonstad landfill site:

The landfill site at Kroonstad needs to be rehabilitated after 26 years (2034). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

Viljoenskroon landfill site:

The landfill site at Viljoenskroon needs to be rehabilitated after 26 years (2034). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

Steynsrus landfill site:

The landfill site at Steynsrus needs to be rehabilitated after 21 years (2029). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass.

Kroonstad gravel quarry

The gravel quarry at Kroonstad needs to be rehabilitated after 15 years (2023). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass and the slopes erected.

Steynsrus gravel quarry

The gravel quarry at Steynsrus needs to be rehabilitated after 16 years (2024). Rehabilitation costs to be incurred is stipulated by the above mentioned Act that the area needs to be covered by 100mm top soil and be planted with grass and the slopes erected.

Rehabilitation costs are incurred as these sites are used and not at the end of the useful lives of this sites.

13	CONSUMER DEPOSITS	2010	2009
		R	Restated R
	Kroonstad	7 237 055	6 415 264
	Total consumer deposits	7 237 055	6 415 264

Consumer deposits are raised when an services account is opened and is refunded to the consumer after the account is closed.

14	EMPLOYEE BENEFITS		
	Leave pay obligation	3 770 895	3 452 721
	Funeral assistance	183 893	555 821
		3 954 788	4 008 542

15	PAYABLES FROM EXCHANGE TRANSACTIONS		
	Payments received in advance	10 020 863	9 240 873
	Other payables	86 933 562	72 163 910
	Deposits other	185 550	16 109
	Retention creditors	5 276 640	-
	Total payables	102 416 615	81 420 892

Suppliers have not been paid within the prescribed 30 day period due to cashflow constraints.

16	UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
	<i>Conditional grants from other spheres of government</i>		
	Grants	2 724 364	5 932 950
	Total conditional grants and receipts	2 724 364	5 932 950

See note 21 for reconciliation of grants from other spheres of government. These amounts are invested until utilised. The amounts will be recognised as revenue when the qualifying expenditure is incurred.

Upon the conclusion of the unspent grant verification process by the Finance Ministry, R 3,619 million was withheld in the current year realting to grants from the 2005/6 to 2008/9 financial years.

17	TAXES RECEIVABLE AND PAYABLE		
	VAT payable	(4 050 840)	(8 122 125)
	VAT receivable	7 180 820	18 135 128
	Total VAT receivable	3 129 980	10 013 003

The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only paid once cash is received or actual payments are made.

MOQHAKA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	2010	2009
	R	Restated R
18 PROPERTY RATES		
Assessment rates		
Residential and commercial	27 692 611	22 002 037
State	6 650 342	6 088 831
Total assessment rates	34 342 953	28 090 868
Valuations		
Residential	5 986 207 378	5 980 893 344
Commercial	962 297 483	1 174 248 175
Multi-purpose	220 275 000	-
State	750 700 566	752 730 366
Municipal	115 421 750	111 146 732
Non-ratable	166 041 116	165 793 104
Total property valuations	8 200 943 293	8 184 811 721
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivision. A average rate of R0.004 (2009: R0.003) is applied to property valuations to determine assessment rates. The first R50 000 of residential property is exempt from taxation. Rebates of 20% are granted to state property owners. Agricultural property rates are phased in over a three year period, of which the discount for 2010 was 50% (2009: 75%). Rates are levied on an monthly basis and interest at prime plus 1% per annum (2009: prime plus 1%) is charged on outstanding rates.</p>		
19 SERVICE CHARGES		
Sale of electricity	128 877 908	99 948 998
Sale of water	31 451 944	23 563 340
Refuse removal	7 741 360	7 074 295
Sewerage and sanitation charges	9 073 022	8 215 085
Total service charges	177 144 235	138 801 718
20 INVESTMENT INCOME		
Interest income	192 417	547 897
Bank deposits	192 417	547 897
	37 814	15 260
Dividends received	37 814	15 260
Total investment income	230 231	563 157
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	21.1 102 369 720	82 920 849
Councillors remuneration grant	21.2 459 863	-
Restructuring grant	21.3 -	554 000
Institutional grant	21.4 167 388	735 000
Municipal infrastructure grant	21.5 40 616 327	20 507 236
LG SETA	21.6 191 634	710 591
Housing development grant	21.7 -	1 992 350
Financial management grant	21.8 -	-
Rehabilitation of sewerage network	21.9 4 086 066	-
Total government grants & subsidies	147 890 998	107 420 026

**21 GOVERNMENT GRANTS AND SUBSIDIES
(CONTINUED)**

MOQHAKA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	2010	2009
	R	Restated R
21.1 Equitable share		
Balance unspent at beginning of year	-	-
Current year receipts	102 369 720	82 920 849
Conditions met - transferred to revenue	(102 369 720)	(82 920 849)
Conditions still to be met - transferred to liabilities - note 16	-	-

In terms of the Constitution of the Republic of South Africa (No. 108), this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

21.2 Councillor remuneration grant

Balance unspent at beginning of year	-	-
Current year receipts	459 863	-
Conditions met - transferred to revenue	(459 863)	-
Conditions still to be met - transferred to liabilities - note 16	-	-

In terms of the Constitution of the Republic of South Africa (No. 108), this grant is used to subsidise the remuneration of councillors.

21.3 Restructuring grant

Balance unspent at beginning of year	-	-
Current year receipts	-	554 000
Conditions met - transferred to revenue	-	(554 000)
Conditions still to be met - transferred to liabilities - note 16	-	-

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner.

21.4 Institutional grant

Balance unspent at beginning of year	-	-
Current year receipts	735 000	735 000
Conditions met - transferred to revenue	(167 388)	(735 000)
Conditions still to be met - transferred to liabilities - note 16	567 612	-

The purpose of the grant is to support municipal restructuring initiatives of large municipalities. Funds are made available on the basis of an approved restructuring plan that addresses challenges in a sustainable manner. The unspent grant has been scheduled to be utilised in 2010/2011.

21.5 Municipal infrastructure grant

Balance unspent at beginning of year	(4 785 327)	1 977 953
Current year receipts	35 831 000	23 422 000
Conditions met - transferred to revenue	(40 616 327)	(20 614 626)
Conditions still to be met - transferred to liabilities - note 16	(9 570 654)	4 785 327

The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services.

In 2009 the grant was not utilised in full, because some of the capital projects take more than a year to be completed.

**GOVERNMENT GRANTS AND SUBSIDIES
(CONTINUED)**

MOQHAKA LOCAL MUNICIPALITY
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	2010	2009
	R	Restated R
21.6 LG SETA		
Balance unspent at beginning of year	-	-
Current year receipts	450 764	710 591
Conditions met - transferred to revenue	(191 634)	(710 591)
Conditions still to be met - transferred to liabilities - note 16	259 130	-

The grant is used for training municipality staff to enhance their skills in their respective positions. The grant was not utilised in full as some of the training is scheduled for the beginning of 2010/2011.

21.7 Housing development grant

Balance unspent at beginning of year	1 147 622	-
Current year receipts	-	3 139 972
Conditions met - transferred to revenue	-	(1 992 350)
Conditions still to be met - transferred to liabilities - note 16	1 147 622	1 147 622

The grant is used to assist with the development of urban renewal.

21.8 Financial Management Grant

Balance unspent at beginning of year	-	-
Current year receipts	750 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities - note 16	750 000	-

The grant is used to train and appoint intern staff members in the finance department of Moqhaka.

21.9 Rehabilitation of sewerage network

Balance unspent at beginning of year	-	-
Current year receipts	4 086 066	-
Conditions met - transferred to revenue	(4 086 066)	-
Conditions still to be met - transferred to liabilities - note 16	-	-

The grant is used to assist with the rehabilitation of the sewerage water treatment system of Moqhaka. This grant is funded by the Department of Water Affairs

MOQHAKA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	2010	2009
	R	Restated R
22 OTHER INCOME		
Advertisement	73 236	272 933
Burial income	541 485	594 787
Connection fees	550 054	1 101 422
Railway siding industrial	475 381	468 802
Erven sales	622 585	1 534 067
Fire Brigade Fees	97 645	76 036
Sundry income	8 635	12 828
Special services	113 830	221 059
Other income	1 754 406	1 449 669
Admittance Fees	322 969	383 939
Insurance claims	137 959	4 343 504
Water valuation adjustments	150 036	-
Provision for rehabilitation adjustment	154 805	-
Skills Development claims- SETA	-	710 591
Total other income	5 003 027	11 169 637
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and wages	85 588 623	77 355 487
Employee related costs - Contributions for UIF, pensions and medical aids	24 718 057	23 121 577
Accrued leave	1 149 673	3 663 173
Housing allowance	954 904	1 029 532
Overtime payments	6 835 097	6 118 628
Total employee related costs	119 246 354	111 288 397
Remuneration of the Municipal Manager	919 526	764 926
Annual remuneration	477 126	420 665
Performance bonus	-	-
Allowances	334 220	256 300
Contribution to UIF, medical and pension funds	108 180	87 961
Remuneration of the Chief Financial Officer	520 388	584 773
Annual remuneration	312 008	339 897
Performance bonus	-	-
Allowances	181 733	212 378
Contribution to UIF, medical and pension funds	26 647	32 498
CFO remuneration on contractual basis	596 343	-
The remuneration for the year ended 2010 includes 3 months payment based on a contract with a higher pay rate.		
Remuneration of individual Executive Directors:		
Executive Director: Technical Services	320 277	720 968
Annual remuneration	137 150	381 650
Performance bonus	-	-
Allowances	182 628	337 821
Contribution to UIF, medical and pension funds	499	1 497

The remuneration for year ended 2010 is only for 4 months. This post has been vacant from November 2009.

MOQHAKA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	2010	2009
	R	Restated R
23 EMPLOYEE RELATED COSTS (CONTINUED)		
<i>Executive Director: Corporate Services</i>	864 531	766 909
Annual remuneration	440 685	381 650
Performance bonus	-	-
Allowances	336 252	301 903
Contribution to UIF, medical and pension funds	87 594	83 356
<i>Executive Director: Community Services</i>	854 783	769 550
Annual remuneration	440 685	381 650
Acting Allowance	-	-
Allowances	412 601	386 403
Contribution to UIF, medical and pension funds	1 497	1 497
24 REMUNERATION OF COUNCILLORS		
Executive Mayor	360 805	336 219
Speaker	285 639	265 970
Mayoral Committee Members	2 061 019	1 882 671
Councillors	7 432 918	6 941 130
Councillors' medical and pension contributions	1 868 815	1 791 915
Total Councillors' Remuneration	12 009 197	11 217 905
<i>In-kind benefits</i>		
The Mayor, Speaker and Executive Committee Members are full time. Each is provided with an office and secretarial support at the cost of the council. The Mayor has use of a council owned vehicle for official duties. The Mayor has one full-time bodyguard.		
25 FINANCE COST		
Interest on Annuity loans	3 380 738	3 285 557
Interest on Finance leases - vehicles	715 388	30 463
Interest on Finance leases - equipment	1 187 672	2 758 679
Interest on late payment of pension	4 412 055	362 716
Other interest	100 644	129 755
Interest on bank overdraft	244 561	897 695
Total interest on external borrowings	10 041 057	7 464 865
26 BULK PURCHASES		
Electricity	86 326 205	64 454 175
Total bulk purchases	86 326 205	64 454 175

MOQHAKA LOCAL MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	2010	2009
	R	Restated R
27 GENERAL EXPENSES		
Included in general expenses is the following:		
Advertisements	333 154	795 486
Audit fees	2 451 287	2 407 309
Bank charges	1 176 851	1 003 253
Bursaries	202 446	264 363
Chemicals	3 323 539	3 753 422
Cleaning campaign	410 114	674 807
Conferences and seminars	588 217	3 981 494
Consultant fees	6 942 282	8 907 030
Discretionary fund	148 486	290 485
Entertainment cost	505 134	1 423 233
Forex (Profit)/ Loss	239 440	(192 554)
Fuel and lubricants	3 755 739	5 097 566
Indigent contributions	3 905 783	2 653 733
Insurance	2 727 130	1 810 460
Legal fees	1 177 709	1 401 505
Licenses other	688 458	1 378 883
Postal services	1 163 245	926 507
Printing and stationery	1 387 793	1 297 409
Protective clothing	397 002	655 816
Rent - office equipment	3 637 750	1 312 844
Skills development levy	945 333	853 022
Special programs	266 508	473 389
Stock and material	135 376	189 515
Telephone and fax	1 315 414	755 559
Training staff	237 230	1 291 918
Valuation roll	304 673	1 447 368
Workmen's compensation	908 702	600 000
Other expenditure	5 016 335	5 903 178
Total	44 291 130	51 357 000

MOQHAKA LOCAL MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	2010 R	2009 R
28 CASH GENERATED BY OPERATIONS		
Net deficit for the year	(7 665 033)	(51 053 074)
Adjustment for:		
Depreciation and amortisation of non-current assets	45 000 356	44 489 855
Surplus on sale or disposal of property, plant and equipment	130 034	(428 303)
Surplus on revaluation of fair value	(30 896)	(4 336)
Interest received	(192 417)	(5 223 689)
Dividends received	(37 814)	(563 157)
Contributions to provisions	994 868	4 707 428
Contributions to bad debt provision	36 014 315	29 129 102
Assets impairment and write off	-	4 422 071
Increase in operating lease assets	(13 509)	(69 721)
Non cash items	438 711	(218 601)
Finance cost recognised in net surplus/deficit	10 041 057	7 464 865
Operating surplus before working capital changes:	84 679 673	32 652 440
Working capital changes	6 647 376	(32 990 541)
Decrease in inventories	920 842	262 050
Increase in consumer receivables	(16 870 728)	(41 470 473)
(Increase) / Decrease in other receivables	(997 571)	11 455 408
(Decrease) / Increase in conditional grants & receipts	(3 208 586)	3 847 611
Decrease in provisions	(1 897 119)	(486 718)
Increase / (Decrease) in consumer deposits	821 791	(63 428)
Increase / (Decrease) in tax receivable	6 883 023	(20 102 533)
Increase in payables	20 995 723	13 567 541
Cash generated by operations	91 327 048	(338 101)

MOQHAKA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	2010 R	2009 Restated R
29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
29.1 Audit fees		
Opening balance	343 585	37 158
Current year audit fee	2 451 287	2 407 309
Amount paid -current year	(1 566 654)	(2 063 724)
Amount paid - previous years	(343 585)	(37 158)
Balance unpaid (included in payables)	884 633	343 585

29.2 PAYE AND UIF		
Opening balance	-	-
Current year payroll deductions	11 603 181	10 034 109
Amount paid -current year	(11 603 181)	(10 034 109)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

29.3 Pension and medical aid deductions		
Opening balance	-	-
Current year payroll deductions and council contributions	24 236 022	27 505 103
Amount paid - current year	(24 236 022)	(27 505 103)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

29.4 Skills Development Levy		
Opening balance	-	-
Current year payroll deductions and council contributions	945 333	853 022
Amount paid - current year	(945 333)	(853 022)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-

29.5 Councillor's arrear consumer accounts

The following councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2010	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor:			
Colbert DPC	924	924	-
Dire MP	2 203	-	2 203
Letsabo J	1 389	478	911
Makau TL	1 380	458	922
Matli I	73	73	-
Mckenzie AE	10 842	3 289	7 553
Mkhwanazi TM	458	320	138
Mokotla ME	5 726	-	5 726
Moamogoa A	3 522	360	3 162
Mokodutlo	97	97	-
Raphuthing PP	3 124	-	3 124
Tumisi T	4 513	2 339	2 174
Viljoen WF	267	267	-
Total councillor arrear consumer accounts	34 518	8 605	25 913

30 June 2009	<u>Total</u>	<u>Outstanding less than 90 days</u>	<u>Outstanding more than 90 days</u>
Councillor:			
Dire AMS	2 378	-	2 378
Mbono MD	355	180	175
Mckenzie AE	360	94	266
Moamogoa MS	4 982	265	4 717
Mofokeng MJ	13 402	180	13 222
Mohlolo PM	527	293	234
Mokodutlo NP	2 943	-	2 943
Mokotla ME	6 927	-	6 927
Monoto MA	339	124	215
Nakedi ACWD	1 278	194	1 084
Raphuthing PP	3 514	-	3 514
Seakhela SS	1 147	431	716
Tladi SB	6 753	130	6 623
Total councillor arrear consumer accounts	44 905	1 891	43 014

29 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (CONTINUED)

29.6 Reticulation losses

Estimated electricity losses suffered by the municipality for the year under review are as follows:

	2 010	2009
Estimated line losses	6 594 973	4 985 380
Total system loss	20 366 553	
Total losses due to tampering or theft	13 771 580	3 451 626
Total system losses	<u>40 733 106</u>	<u>8 437 007</u>

Estimated water losses suffered by the municipality for the year under review are as follows:

Estimated losses	<u>10 915 697</u>	<u>33 769 648</u>
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30 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for

Infrastructure	58 526 685	59 874 697
Total	<u>58 526 685</u>	<u>59 874 697</u>

Infrastructure commitments approved and contracted for will be funded by grants from government.

31 RETIREMENT BENEFIT INFORMATION

The municipality provides retirement benefits for its employees and councillors. Benefits are provided via defined contribution plans and defined benefit plans.

31.1 Defined contribution plans

The following are defined contribution plans:

Free State Municipal Pension Fund
 Free State Municipal Provident Fund
 Maokeng Provident Fund
 SAMWU National Provident Fund

31.2 Defined benefit plans

The following are defined benefit plans:

Government Employment Pension Fund
 SALA Pension Fund

These are not treated as a defined benefit plan as defined by IAS 19 (AC 116), but as a defined contribution plan. These funds are multi employer plans and actuarial valuations done by actuaries could not be provided due to a lack of information. According to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating it as a contribution plan. This is in line with the exemption in IAS 19, paragraph 30, which states that where information required for defined benefit plans is not available in respect of multi employer and state plans, these should be accounted for as defined contribution plans.

Some employees belong to the SALA Pension Fund. The latest actuarial valuation of the funds was on 1 July 2007. These valuations indicate that the funds are in sound financial position. The estimated liability of the fund is R5,580.3 million which is adequately financed by assets of R6,138.70 million.

Some employees belong to the Government Employment Pension Fund. The latest actuarial valuation of the fund was on 31 March 2006. These valuations indicate that the fund is in a sound financial position. The estimated liability of the fund is R447,474 million which is adequately financed by assets of R545,563 million.

An amount of R12.6 million was contributed by council in respect of councillor and employees retirement funding. These contributions have been expensed.

32 CONTINGENT LIABILITY

The municipality is being sued in the following pending claims against the council. All the claims are being contested based on legal advice.

The timing of the outflow of these liabilities are uncertain. The amounts disclosed are the possibility of the amount of outflow.

	2010 R	2009 R
32.1 Pending claims	7 994 021	4 576 789
Claims by individuals due to damage of vehicles in various incidents	63 634	508 669
Claim for unfair dismissal	-	40 000
Claim from the South African Local Government Association	3 080 664	2 500 000
Claim from creditor - account dispute	72 228	45 000
Claim from supplier- contractual dispute	1 108 199	1 258 120
Claim for damages to property due to spread of fire	82 797	200 000
Claims by individuals due to injuries in various incidents	1 200 427	-
Claims for damages of telephone cables	2 386 072	25 000

32.2 Post retirement benefit obligations

The municipality makes monthly contributions to retired employees medical aid. This obligation has not been valued by an actuary. These contributions are being phased out and current retiring employees are not included in the pool of beneficiaries.

33 RELATED PARTIES

No related party transactions were identified during the year under review.

34 EVENTS AFTER THE REPORTING DATE

Subsequent to 30 June 2010 one of the municipality's dam walls, the Steynsrus Grypdam wall was damaged by flood water following heavy rain in December 2010. The extent of the damage has not been determined on the finalisation of the financial statements. No provision has been made in the financial statements.

35 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E.

36 BANK BALANCES AND CASH

2010
R

2009
R

The municipality has the following bank accounts:

Current account (primary bank account)

ABSA Bank
 Account number 40 532 74826

Cashbook balance at the beginning of the year	(9 856 135)	(3 392 499)
Cashbook balance at the end of the year	(11 797 242)	(9 856 135)

Bank statement balance at the beginning of the year	(9 896 755)	(3 958 296)
Bank statement balance at the end of the year (overdrawn)	1 993 474	(9 896 755)

Current account (Steynsrus)

First National Bank
 Account Number 62028349349

Cashbook balance at the beginning of the year	323 413	159 197
Cashbook balance at the end of the year	(893)	323 413

Bank statement balance at the beginning of the year	304 803	159 197
Bank statement balance at the end of the year	(893)	304 803

Total cashbook balance at the beginning of the year	(9 532 722)	(3 233 302)
Total cashbook balance at the end of the year	(11 798 135)	(9 532 722)

Cash on hand

Balance at the beginning of the year	18 610	19 110
Balance at the end of the year	8 970	18 610

Limited Cession facility:

ABSA Fixed Deposit account no. 2058247882 to the amount of R 155 000 for local guarantee, garage card and credit card facilities

Local Guarantees

ABSA issued local guarantees to Department of Mining and Energy amounting to R 50 000

37 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.

38 RESTATEMENT OF COMPARATIVES

Certain comparatives have been reclassified. Refer to note 43 and note 44.

39 FINANCIAL DIFFICULTY EXPERIENCED BY THE MUNICIPALITY

The municipality is currently experiencing financial difficulties. Indicators of the financial problems are:

- (a) The significant increase accounts payable of R 20 995 723 and an increase of R 8 341 027
- (b) The municipality incurred a substantial deficit during the year of R 7 665 033
- (c) The creditors are not paid within 30 days as required by the MFMA.
- (d) Debt collection period has improved during the current year, however it remains at 126 days which is significantly more than the policy norm of 30 days.

The following measures were implemented by the municipality to address these financial difficulties:

- (a) More effective and regular cut-off actions.
- (b) Cut back all unnecessary expenditure.
- (c) Reduce our debtor's book.
- (d) Stay within the budgeted amount.

MOQHAKA LOCAL MUNICIPALITY
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		<i>DRAFT</i>	
		2010 R	2009 R
40 IRREGULAR EXPENDITURE			
Opening Balance		20 072 972	6 840 807
Add: Irregular expenditure current year		-	13 232 165
Less: Amounts condoned		-	-
Less: Amounts recoverable (not condoned)		-	-
Less: Amounts not recoverable (not condoned)		-	-
Irregular expenditure awaiting condonation		<u>20 072 972</u>	<u>20 072 972</u>
Analysis of irregular expenditure awaiting condonation per age classification			
Current year		-	13 232 165
Prior years		20 072 972	6 840 807
Total		<u>20 072 972</u>	<u>20 072 972</u>
Details of irregular expenditure for the year			
Incident	Disciplinary steps taken/criminal proceedings		
Appointment of consultant		-	4 806 487
Require quotations for purchases not obtained in terms of Supply Chain Management		-	24 040
Non adherence to tender regulations		-	5 744 675
Non adherence to Supply Chain Management for payments made		-	2 442 638
Related party transactions		-	214 325
Total		<u>-</u>	<u>13 232 165</u>
Appointment of consultant			
Opening Balance		7 427 108	2 620 621
Irregular, fruitless and wasteful current year		-	4 806 487
Condoned or written off by council		-	-
Irregular, fruitless and wasteful expenditure awaiting condonement		-	-
		<u>7 427 108</u>	<u>7 427 108</u>
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.			
Altimax Consultants was appointed during the financial year. The deviation of the SCM Policy was reported to National Treasury and not yet tabled before council.			
The reason for the appointment of Altimax consultants was that they have a good record and changed some municipal audit reports from a disclaimer to an unqualified audit report.			
Purchase of air conditioners for housing department at Moakeng			
Opening Balance		8 633	8 633
Irregular, fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Irregular, fruitless and wasteful expenditure awaiting condonement		<u>8 633</u>	<u>8 633</u>
<i>The matter is still under investigation.</i>			
Missing computers			
Opening Balance		38 500	38 500
Irregular, fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Irregular, fruitless and wasteful expenditure awaiting condonement		<u>38 500</u>	<u>38 500</u>
<i>The matter is still under investigation.</i>			
Rendering of security services			
Opening Balance		39 612	39 612
Irregular, fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Irregular, fruitless and wasteful expenditure awaiting condonement		<u>39 612</u>	<u>39 612</u>
<i>The matter is still under investigation.</i>			
Appointment of managers directly accountable to municipal manager			
Opening Balance		2 145 809	2 145 809
Irregular, fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Irregular, fruitless and wasteful expenditure awaiting condonement		<u>2 145 809</u>	<u>2 145 809</u>
<i>The matter is still under investigation.</i>			

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	2010 R	2009 R
Refurbishment of traffic offices at Moakeng		
Opening Balance	33 087	33 087
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>33 087</u>	<u>33 087</u>
<i>The matter is still under investigation.</i>		
Misuse of Council vehicle		
Opening Balance	436	436
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>436</u>	<u>436</u>
<i>The matter is still under investigation.</i>		
Performance Bonuses		
Opening Balance	141 954	141 954
Irregular, fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>141 954</u>	<u>141 954</u>
<i>The matter is still under investigation.</i>		
Require quotations for purchases not obtained in terms of Supply Chain Management		
Opening Balance	24 040	-
Irregular, fruitless and wasteful current year	-	24 040
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>24 040</u>	<u>24 040</u>
<i>The matter is still under investigation.</i>		
Non adherence to tender regulations - Micro Mega		
Opening Balance	1 726 890	1 190 188
Irregular, fruitless and wasteful current year	-	536 702
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>1 726 890</u>	<u>1 726 890</u>
<i>The matter is still under investigation.</i>		
Non adherence to tender regulations - MMS		
Opening Balance	4 085 159	621 966
Irregular, fruitless and wasteful current year	-	3 463 193
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>4 085 159</u>	<u>4 085 159</u>
<i>The matter is still under investigation.</i>		
Non adherence to tender regulations		
Opening Balance	1 744 780	-
Irregular, fruitless and wasteful current year	-	1 744 780
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>1 744 780</u>	<u>1 744 780</u>
<i>The matter is still under investigation.</i>		
Non adherence to Supply Chain Management for payments made		
Opening Balance	2 442 638	-
Irregular, fruitless and wasteful current year	-	2 442 638
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>2 442 638</u>	<u>2 442 638</u>
<i>The matter is still under investigation.</i>		
Related Party Transactions		
Opening Balance	214 325	-
Irregular, fruitless and wasteful current year	-	214 325
Condoned or written off by council	-	-
Irregular, fruitless and wasteful expenditure awaiting condonement	<u>214 325</u>	<u>214 325</u>
<i>The matter is still under investigation.</i>		
TOTAL OF IRREGULAR EXPENDITURE	<u>20 072 972</u>	<u>20 072 972</u>

MOQHAKA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		<i>DRAFT</i>	
		2010	2009
		R	R
41 FRUITLESS AND WASTEFUL EXPENDITURE			
Opening Balance		13 826 630	9 311 500
Add: Fruitless and wasteful expenditure current year		5 656 157	4 515 130
Less: Amounts condoned		-	-
Less: Amounts recoverable (not condoned)		-	-
Less: Amounts not recoverable (not condoned)		-	-
Fruitless and wasteful expenditure awaiting condonation		<u>19 482 787</u>	<u>13 826 630</u>
Analysis of expenditure awaiting condonation per age classification			
Current year		5 656 157	4 515 130
Prior year		13 826 630	9 311 500
Total		<u>19 482 787</u>	<u>13 826 630</u>
Details of fruitless and wasteful expenditure for the year			
Incident	Disciplinary steps taken/criminal proceedings		
Appointment of employees in positions not necessary for service delivery		-	1 601 263
Interest on loan amounts as a result of exceeding of payment terms		1 244 102	2 551 151
Interest on arrear payments to SALA Pension Fund		299 764	362 716
Interest on arrear payments to creditors		4 112 291	-
Total		<u>5 656 157</u>	<u>4 515 130</u>
Fruitless and wasteful expenditure occurred, late VAT payment.			
Opening Balance		46 697	46 697
Fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Fruitless and wasteful expenditure awaiting		<u>46 697</u>	<u>46 697</u>
<i>The matter is still under investigation.</i>			
The following matters were identified from a special investigation done:			
Painting roof of municipal offices at Maokeng			
Opening Balance		110 338	110 338
Fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Fruitless and wasteful expenditure awaiting		<u>110 338</u>	<u>110 338</u>
<i>The matter is still under investigation.</i>			
Refurbishment and painting of six chalets and managers house at Kroonpark			
Opening Balance		95 437	95 437
Fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Fruitless and wasteful expenditure awaiting		<u>95 437</u>	<u>95 437</u>
<i>The matter is still under investigation.</i>			
Painting of chalets at Kroonpark			
Opening Balance		46 590	46 590
Fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Fruitless and wasteful expenditure awaiting		<u>46 590</u>	<u>46 590</u>
<i>The matter is still under investigation.</i>			
Painting of offices and the roof at Brentpark			
Opening Balance		40 053	40 053
Fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Fruitless and wasteful expenditure awaiting		<u>40 053</u>	<u>40 053</u>
<i>The matter is still under investigation.</i>			
Painting housing offices at Moakeng			
Opening Balance		44 930	44 930
Fruitless and wasteful current year		-	-
Condoned or written off by council		-	-
Fruitless and wasteful expenditure awaiting		<u>44 930</u>	<u>44 930</u>
<i>The matter is still under investigation.</i>			

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	2010 R	2009 R
Painting councillors offices and board room at Moakeng		
Opening Balance	39 960	39 960
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	39 960	39 960
<i>The matter is still under investigation.</i>		
Replacement of damaged tiles at the theatre		
Opening Balance	2 596	2 596
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	2 596	2 596
<i>The matter is still under investigation.</i>		
Fencing of Kroonpark		
Opening Balance	479 934	479 934
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	479 934	479 934
<i>The matter is still under investigation.</i>		
Tourism Extravaganza		
Opening Balance	8 767 681	8 767 681
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	8 767 681	8 767 681
<i>The matter is still under investigation.</i>		
Expenses as contained in the Majavu Report		
Opening Balance	677 673	677 673
Fruitless and wasteful current year	-	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	677 673	677 673
Appointment of employees in positions not necessary for service delivery		
Opening Balance	1 601 263	-
Fruitless and wasteful current year	-	1 601 263
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	1 601 263	1 601 263
Interest on loan amounts as a result of exceeding of payment terms		
Opening Balance	2 551 151	-
Fruitless and wasteful current year	1 244 102	2 551 151
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	3 795 253	2 551 151
Interest on outstanding payments towards the SALA pension fund		
Opening Balance	362 716	-
Fruitless and wasteful current year	299 764	362 716
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	662 480	362 716
Interest on outstanding payments towards creditors		
Opening Balance	-	-
Fruitless and wasteful current year	4 112 291	-
Condoned or written off by council	-	-
Fruitless and wasteful expenditure awaiting	4 112 291	-
42 UNAUTHORISED EXPENDITURE		
Budget overspending	10 285 536	75 859 183
<i>The above overspending is for individual votes</i>		

43 PRIOR PERIOD ERROS

Summary

Effect on Net Assets as reported at 30 June 2008

Net assets as previously stated	1 119 144 566
Adjustment against opening accumulated	9 636 476
Net assets after adjustments	1 128 781 042

Effect on Surplus / deficit for the year 30 June 2009

Deficit as previously reported	(40 239 001)
Net effect on deficit for the year 30 June 2009	10 814 074
Deficit as adjusted	(29 424 928)

Net effect on assets and liabilities for the year 30 June 2009

(20 450 550)

43.1 Intangible assets

Recognition of Microsoft Licence liability

Adjustment against opening accumulated surplus 30 June 2008

31 303

Net effect on deficit for the year 30 June 2009

226 901

Amortisation	53 003
Interest unwind 2009	(129 755)
Foreing currency loss 2009 correction	303 653

Net effect on assets and liabilities for the year 30 June 2009

258 204

Intangibles	(159 011)
Accumulated impairment	88 236
Creditors Sundry	328 979

43.2 Grants

Amounts not received written back to grants

Adjustment against opening accumulated surplus 30 June 2008

-

Net effect on deficit for the year 30 June 2009

(107 390)

Grant income	(107 390)
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Net effect on assets and liabilities for the year 30 June 2009

(107 390)

Amounts not received written back to grants	(107 390)
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43.3 Employee costs - medical aid

Medical aid contributions to employees not recognised as an expense in the prior year

Adjustment against opening accumulated surplus 30 June 2008	-
Net effect on deficit for the year 30 June 2009	(15 413)
Medical aid contribution in 2009	(15 413)
Net effect on assets and liabilities for the year 30 June 2009	(15 413)
Other receivables from exchange transactions	
Payment to pensioners cleared from a suspense account	(15 413)

43.4 Intangible assets

Adjustment of Kroonpark stock for take on balances

Adjustment against opening accumulated surplus 30 June 2008	6 880
Net effect on deficit for the year 30 June 2009	-
Net effect on assets and liabilities for the year 30 June 2009	6 880
Consumable Stores	
Adjustment to stock for take on balance in accounting system	6 880

43.5 Other income - densification fees

Densification fees not recorded in prior period (2009)

Adjustment against opening accumulated surplus 30 June 2008	-
Net effect on deficit for the year 30 June 2009	45 000
Densification fees	45 000
Net effect on assets and liabilities for the year 30 June 2009	45 000
Investments	
Investments not recorded in prior period	45 000

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43.6 Long term loans

Correction of interest and capital on long term loans

Adjustment against opening accumulated surplus 30 June 2008 83 780

Net effect on deficit for the year 30 June 2009 **(46 852)**

Correction of interest on loans (46 852)

Net effect on assets and liabilities for the year 30 June 2009 **36 928**

Long term borrowings 36 928

Correction of interest on loans 36 928

43.7 Repairs and maintenance

Correction of repairs and maintenance

Adjustment against opening accumulated surplus 30 June 2008 -

Net effect on deficit for the year 30 June 2009 **77 290**

Decrease in repairs and maintenance expense 69 859

Fuel and lubricants 406

Repairs and maintenance buildings 7 026

Net effect on assets and liabilities for the year 30 June 2009 **77 290**

Other receivables from exchange transactions 77 290

Increase in debtor due to clearing of suspense account 77 290

43.8 Consumer receivables

Correction of debtors to subledger

Adjustment against opening accumulated surplus 30 June 2008 -

Net effect on deficit for the year 30 June 2009 **6 909**

Other income 6 909

Net effect on assets and liabilities for the year 30 June 2009 **6 909**

Consumer receivables from exchange transactions 6 909

Restatement of debtors balance with accounting records 6 909

43.9 Property, plant and equipment

Correction of accumulated depreciation opening balance (2007/08)

Adjustment against opening accumulated surplus 30 June 2008 (14 372)

Net effect on deficit for the year 30 June 2009 **131 043**
 Depreciation 131 043

Net effect on assets and liabilities for the year 30 June 2009 **116 671**

Property, plant & equipment

Acc depr - Community assets	9 620
Acc depr - Buildings	(279)
Acc depr - Investment Properties	141
Acc depr - Office equipment	(129)
Acc depr - Infrastructure	97 701
Acc depr - Investment Properties	9 758
Acc depr - Plant & equipment	(143)

43.10 Employee benefits

Prior year correction 2007/2008 for over-provision on funeral assistance

Adjustment against opening accumulated surplus 30 June 2008 369 821

Net effect on deficit for the year 30 June 2009 -

Net effect on assets and liabilities for the year 30 June 2009 **369 821**

Payables from exchange transactions

Staff Funeral Assistance	369 821
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43.11 Repairs and maintenance

Reallocation of repair and maintenance expense which relates to the 07/08 financial year wrongfully allocated to the 08/09 financial year. Correction of overstatement of repair and maintenance expense account in the income statement for 08/09, and the opening balance of retained earnings.

Adjustment against opening accumulated surplus 30 June 2008 (8 427 919)

Net effect on deficit for the year 30 June 2009 **7 531 425**
 Repairs and maintenance 7 531 425

Net effect on assets and liabilities for the year 30 June 2009 **(896 494)**

Computers written off (896 494)

43.12 **Capital projects inventory**

Prior period error per note 29.20 of the financial statements of 30/06/2009, provided in 2008/2009, and reversed as the amount of capital projects inventory can not be confirmed/ verified or substantiated.

Adjustment against opening accumulated surplus 30 June 2008	<u>(106 208)</u>
Net effect on deficit for the year 30 June 2009	<u>-</u>
Net effect on assets and liabilities for the year 30 June 2009	(106 208)
Inventory	
Capital Projects Inventory	(106 208)

43.13 **Capital projects inventory**

Adjustment of finance charges incorrectly provided for in the income statement in 2007/2008, and correction of overstatement of other debtors in 2007/2008.

Adjustment against opening accumulated surplus 30 June 2008	<u>(81 950)</u>
Net effect on deficit for the year 30 June 2009	<u>-</u>
Net effect on assets and liabilities for the year 30 June 2009	(81 950)
Other receivables from exchange transactions	
Finance charges in advance	(81 950)

43.14 **Intangible assets**

Amortisation on intangible assets not amortised previously.

Adjustment against opening accumulated surplus 30 June 2008	<u>(785 277)</u>
Net effect on deficit for the year 30 June 2009	(71 389)
Amortisation on intangible assets	(71 389)
Net effect on assets and liabilities for the year 30 June 2009	(856 666)
Accumulated amortisation on intangible assets	
Catch up of amortisation on intangible assets	(856 666)

43.15 **Deposits paid**

It was discovered that the Municipality has not recorded the correct deposits paid over to Eskom on their accounts. This deposit account has been corrected according to Eskom statements.

Adjustment against opening accumulated surplus 30 June 2008

-

Net effect on deficit for the year 30 June 2009

64 627

Deposits expensed in previous year

64 627

Net effect on assets and liabilities for the year 30 June 2009

64 627

Payables from exchange transactions

Eskom debtor for deposits paid

64 627

43.16 **Sundry debtors and creditors**

Write off accounts which relates to legacy issues or are long/old outstanding balances.

Adjustment against opening accumulated surplus 30 June 2008

-

Net effect on deficit for the year 30 June 2009

191 505

Writing off bad debts on debtors accounts owed to Municipality

(720 249)

Writing off debts owed to creditors (income)

911 754

-

Net effect on assets and liabilities for the year 30 June 2009

191 505

Payables

Clearing old debtor account

-

696 140

Investments

Clearing old creditor account

-

96 011

Other receivables from exchange

Clearing old creditor account

-

(370 215)

Other receivables from non exchange

Clearing old debtor account

-

(26 443)

VAT receivable

Clearing old debtor account

-

(203 988)

43.17 **SALA Pension Fund**

Accounting for interest on arrear SALA pension fund contributions to agree to SALA confirmation letter & schedule

Adjustment against opening accumulated surplus 30 June 2008

(712 533)

Net effect on deficit for the year 30 June 2009

(362 716)

Interest on late payment of Pension

(362 716)

Net effect on assets and liabilities for the year 30 June 2009

(1 075 249)

Payables from Exchange Transactions

Interest on arrear pension fund

(1 075 249)

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43.18 Cash float

Cash float recorded in the trial balance could not be verified. This cash float balance has been reduced to agree to the actual cash counts at year end.

Adjustment against opening accumulated surplus 30 June 2008	-
Net effect on deficit for the year 30 June 2009	(10 640)
Other expenses	(10 640)
Net effect on assets and liabilities for the year 30 June 2009	(10 640)
Cash and cash equivalents	
Write off cash floats not verifiable	(10 640)

43.19 Rates adjustment

Rates were over charged during 2008/09

Adjustment against opening accumulated surplus 30 June 2008	-
Net effect on deficit for the year 30 June 2009	(11 856 449)
Property Rates adjustments - Agricultural	(2 344 355)
Property Rates adjustments - Private	(358 499)
Rates	(3 330 286)
Water	(1 257 279)
Electricity	(41 335)
Property Rates adjustments - Business	(4 524 695)
Net effect on assets and liabilities for the year 30 June 2009	(11 856 449)
Consumer receivables from exchange transactions	(11 856 449)

43.20 Property plant and equipment

Capitalising costs incurred on buildings repairs

Adjustment against opening accumulated surplus 30 June 2008	-
Net effect on deficit for the year 30 June 2009	(229 393)
Buildings R&M	33 600
Heavy machinery & equipment R&M	48 535
Furniture & equipment (finance)	(608 805)
Upgrading low lift pumps	-
Repair and maintenance - Electrical Network	297 277
Net effect on assets and liabilities for the year 30 June 2009	(229 393)
Property, plant & equipment	
Buildings - cost	33 600
Infrastructure - cost	48 535
Office equipment - cost	(608 805)
Plant & equipment - cost	-
Central Switching Station	297 277

43.21 Finance lease

Adjustment of finance charges incorrectly reversed to finance expense accounts in 2008/2009, and correction of overstatement of other debtors in 2008/2009

Adjustment against opening accumulated surplus 30 June 2008	-
Net effect on deficit for the year 30 June 2009	(2 740 771)
Finance leases - vehicles	17 908
Interest on finance leases for 2008/9	(2 735 726)
Interest on finance leases for 2008/9	(22 953)
Net effect on assets and liabilities for the year 30 June 2009	(2 740 771)
Other receivables from exchange transactions	
Finance charges in advance	17 908
Long-term borrowings	(2 758 679)

43.22 Leave provision

Provide for leave obligation. Leave liability not accounted for accurately in the prior year

Adjustment against opening accumulated surplus 30 June 2008	-
Net effect on deficit for the year 30 June 2009	(3 647 760)
Contribution to leave provision	(3 647 760)
Net effect on assets and liabilities for the year 30 June 2009	(3 647 760)
Provision	
Leave provision not raised in 2009	(3 647 760)

44 **Restatement summary of 2009 numbers**

**Prior period adjustments - Statement of
44.1 Financial Position**

ASSETS

Non-current assets

Property, plant and equipment
Intangible Assets
Investment Property
Investments
Long-term receivables

	Reported	Adjustments	Restated
	2009	2009	2009
	R	R	R
	1 111 058 752	(1 001 606)	1 110 057 146
Property, plant and equipment	1 085 368 102	(84 064)	1 085 284 038
Intangible Assets	2 155 744	(927 441)	1 228 303
Investment Property	23 345 110	9 899	23 355 009
Investments	189 796	-	189 796
Long-term receivables	-	-	-

Current assets

Inventory
Consumer receivables from exchange transactions
Other receivables from exchange transactions
Other receivables from non-exchange transactions
Deferred operating lease assets
Cash and cash equivalents
VAT receivable
Investments

	106 409 591	(5 169 607)	101 239 984
Inventory	4 621 748	(99 328)	4 522 420
Consumer receivables from exchange transactions	86 312 896	(11 849 540)	74 463 356
Other receivables from exchange transactions	2 415 043	(1 242 805)	1 172 238
Other receivables from non-exchange transactions	26 443	(26 443)	0
Deferred operating lease assets	77 015	-	77 015
Cash and cash equivalents	1 018 726	(10 640)	1 008 087
VAT receivable	10 216 991	7 918 137	18 135 128
Investments	1 720 729	141 011	1 861 740

Total assets

	1 217 468 343	(6 171 213)	1 211 297 130
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NET ASSETS AND LIABILITIES

Net assets

Opening accumulated surplus
Deficit for the year

	1 078 905 565	(20 450 550)	1 058 455 016
Opening accumulated surplus	1 119 144 566	(9 636 476)	1 109 508 090
Deficit for the year	(40 239 001)	(10 814 074)	(51 053 074)

Non-current liabilities

Long-term borrowings
Non-current provisions

	25 035 292	1 247 900	26 283 192
Long-term borrowings	22 247 316	1 247 900	23 495 216
Non-current provisions	2 787 976	-	2 787 976

Current liabilities

Consumer deposits
Provisions
Payables from exchange transactions
Unspent conditional grants and receipts
VAT payable
Bank Overdraft
Current portion of borrowings

	113 527 486	13 031 436	126 558 922
Consumer deposits	6 415 264	-	6 415 264
Provisions	-	3 277 939	3 277 939
Payables from exchange transactions	82 101 364	50 130	82 151 494
Unspent conditional grants and receipts	5 825 560	107 390	5 932 950
VAT payable	-	8 122 125	8 122 125
Bank Overdraft	9 896 755	-	9 896 755
Current portion of borrowings	9 288 543	1 473 851	10 762 394

Total net assets and liabilities

	1 217 468 343	(6 171 214)	1 211 297 130
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44 **Restatement summary of 2009 numbers**
Prior period adjustments - Statement of
44.2 **Financial Performance**

	Reported 2009 R	Adjustments 2009 R	Restated 2009 R
REVENUE			
Property rates	38 687 846	(10 596 978)	28 090 868
Service charges	140 055 331	(1 253 613)	138 801 718
Rental of facilities and equipment	2 690 747	-	2 690 747
Investment income	563 157	-	563 157
Interest earned - outstanding receivables	5 223 689	-	5 223 689
Fines	765 069	-	765 069
Government grants and subsidies	107 527 416	(107 390)	107 420 026
Other income	11 162 728	6 909	11 169 637
Gain on disposal of property, plant and equipment	428 303	-	428 303
Fair value through surplus and deficit	4 336	-	4 336
Total revenue	307 108 622	(11 951 072)	295 157 550
EXPENDITURE			
Employee related costs	107 625 224	3 663 173	111 288 397
Remuneration of councillors	11 217 905	-	11 217 905
Bad debts	29 359 749	(230 647)	29 129 102
Depreciation and amortisation	44 602 512	(112 657)	44 489 855
Impairment	-	608 804	608 804
Repairs and maintenance	27 890 763	(8 026 685)	19 864 078
Interest paid	4 184 771	3 280 094	7 464 865
Bulk purchases	64 454 175	-	64 454 175
Contracted services	6 336 442	-	6 336 442
General expenses	51 676 082	(319 082)	51 357 000
Total expenditure	347 347 623	(1 136 999)	346 210 625
SURPLUS/(DEFICIT) FOR THE YEAR	(40 239 001)	(10 814 073)	(51 053 075)

44 **Restatement summary of 2009 numbers**
Prior period adjustments - Cash Flow
44.3 **Statement**

	Reported 2009 R	Adjustments 2009 R	Restated 2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other	274 743 923	(4 247 141)	270 496 782
Cash paid to suppliers and employees	(275 545 948)	4 711 063	270 834 885
Cash generated from operations	(802 025)	463 923	(338 102)
Interest received	5 223 689	-	5 223 689
Dividends received	563 157	-	563 157
Interest paid	(4 184 771)	(3 280 094)	(7 464 865)
NET CASH FLOW FROM OPERATING ACTIVITIES	800 050	(2 816 171)	(2 016 121)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisitions for property, plant and equipment	(3 855 083)	-	(3 855 083)
Acquisitions of property, plant and equipment as a result of the Fixed Asset Reconstruction	-	-	-
(Increase)/decrease in current investments	(1 031 966)	-	(1 031 966)
Proceeds on disposal of property, plant and equipment	1 474 624	-	1 474 624
Increase in non-current receivables	-	-	-
NET CASH FLOW FROM INVESTING ACTIVITIES	(3 412 425)	-	(3 412 425)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings	(3 051 462)	2 805 531	(245 931)
NET CASH FLOW FROM FINANCING ACTIVITIES	(3 051 462)	2 805 531	(245 931)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5 663 837)	(10 639)	(5 674 477)
Cash and cash equivalents at the beginning of the year	(3 214 192)	-	(3 214 192)
Cash and cash equivalents at the end of the year	(8 878 029)	(10 640)	(8 888 669)

MOQHAKA LOCAL MUNICIPALITY
UNAUDITED SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2010

DRAFT

APPENDIX A

External loans	Loan number	Redeemable	Balance at 30/6/2009	Received/ incurred during the year	Redeemed or written off during the year	Balance at 30/06/2010	Other costs in accordance with MFFA
<u>Annuity loans</u>							
Development Bank of SA @ 13.50%	100769	2012	18 112 531	2 910 913	-	21 023 443	-
Development Bank of SA @ 12.00%	12841	2013	196 663	-	-	196 663	-
Development Bank of SA @ 13.30%	12842	2014	42 324	-	-	42 324	-
Development Bank of SA @ 10.70%	101183	2026	2 496 283	-	-	2 496 283	-
Total			20 847 801	2 910 913	-	23 758 713	-
Infrastructure Finance Corporation Ltd @ 17.25%	27	2011	1 510 506	177 785	708 250	980 042	-
Total			1 510 506	177 785	708 250	980 042	-
ABSA @ 9.94%	2	2010	397 654	19 413	356 407	60 660	-
Total			397 654	19 413	356 407	60 660	-
Standard Bank @ 8.73%	36	2010	901 402	64 960	328 034	638 329	-
Total			901 402	64 960	328 034	638 329	-
Sanlam @ 16.50%	21	2010	230 407	166 574	205 548	191 433	-
Sanlam @ 16.80%	23	2011	292 904	-	64 619	228 285	-
Sanlam @ 17.26%	25	2011	597 984	-	100 658	497 326	-
Total			1 121 295	166 574	370 825	917 045	-
Free State Municipal Pension Fund @ 9.5%	36042	2005	7 251	-	7 251	0	-
Free State Municipal Pension Fund @ 9.5%	36043	2009	6 767	-	6 767	0	-
Free State Municipal Pension Fund @ 9.5%	36046	2007	51 960	-	51 960	0	-
Free State Municipal Pension Fund @ 10.00%	36047	2010	101 478	17 388	64 372	54 495	-
Total Capital outstanding			167 456	17 388	130 350	54 495	-
Accrued interest- Other			0	116 775	0	116 775	0
Total external loans			24 946 114	3 473 808	1 893 864	26 526 058	-

MOQHAKA LOCAL MUNICIPALITY

APPENDIX B

UNAUDITED ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

	Cost						Accumulated Depreciation					Carrying Value	
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals		Closing Balance
Land and Buildings													
Land	6 349 092	-	-	-	-	-	6 349 092	-	-	-	-	-	6 349 092
Buildings	21 226 446	-	-	-	-	-	21 226 446	(8 756 516)	(249 835)	-	-	(9 006 350)	12 220 096
	27 575 538	-	-	-	-	-	27 575 538	(8 756 516)	(249 835)	-	-	(9 006 350)	18 569 188
Infrastructure													
Electricity	675 880 126	75 600	1 503 089	-	1 064 563	-	678 523 378	(337 223 823)	(10 521 283)	-	-	(347 745 106)	330 778 272
Infrastructure assets at parks	77 732 531	147 339	1 968 573	-	7 045 022	-	86 893 466	(43 122 951)	(1 619 092)	-	-	(44 742 043)	42 151 423
Potable water networks	418 078 264	955 854	2 144 191	-	-	-	421 178 309	(215 148 473)	(7 203 705)	-	-	(222 352 179)	198 826 130
Roads, bridges and roadside structures.	563 251 896	-	3 307 257	-	20 944 722	-	587 503 875	(348 134 935)	(12 049 387)	-	-	(360 184 321)	227 319 554
Waste water network	328 566 824	-	9 013 418	-	9 452 846	-	347 033 088	(156 464 974)	(6 504 017)	-	-	(162 968 991)	184 064 097
Storm Water	63 034 765	-	2 401 197	-	3 610 178	-	69 046 140	(30 531 342)	(925 513)	-	-	(31 456 855)	37 589 285
Solid waste	10 741 053	-	-	-	-	-	10 741 053	(6 258 869)	(354 189)	-	-	(6 613 058)	4 127 995
	2 137 285 460	1 178 794	20 337 725	-	42 117 331	-	2 200 919 309	(1 136 885 367)	(39 177 186)	-	-	(1 176 062 553)	1 024 856 756
Community Assets													
Parks & Gardens	70 789 078	-	-	-	-	-	70 789 078	(43 606 230)	(1 779 284)	-	-	(45 385 515)	25 403 564
Land	920 448	-	-	-	-	-	920 448	-	-	-	-	-	920 448
Buildings	9 652 971	-	-	-	-	-	9 652 971	(4 182 110)	(109 411)	-	-	(4 291 521)	5 361 450
	81 362 497	-	-	-	-	-	81 362 497	(47 788 340)	(1 888 696)	-	-	(49 677 036)	31 685 461
Heritage Assets													
Heritage Assets	17 544	-	-	-	-	-	17 544	-	-	-	-	-	17 544
	17 544	-	-	-	-	-	17 544	-	-	-	-	-	17 544
Other Assets													
Motor Vehicles	22 698 604	11 891 657	-	-	-	(130 829)	34 459 432	(4 489 310)	(671 631)	-	1 516	(5 159 425)	29 300 006
Furniture	2 279 090	359 401	-	-	-	-	2 638 491	(658 482)	(111 248)	-	-	(769 731)	1 868 761
Office Equipment	13 824 283	470 461	-	-	-	(4 000)	14 290 744	(3 926 622)	(2 288 063)	-	2 862	(6 211 823)	8 078 920
Plant and Equipment	2 954 628	226 846	-	-	-	(1 675)	3 179 799	(1 372 939)	(268 814)	-	576	(1 641 178)	1 538 622
IT Equipment	3 660 042	1 434 766	-	-	-	-	5 094 808	(2 496 071)	(391 738)	-	-	(2 887 808)	2 207 000
	45 416 647	14 383 132	-	-	-	(136 504)	59 663 274	(12 943 424)	(3 731 494)	-	4 953	(16 669 965)	42 993 309
Total	2 291 657 686	15 561 925	20 337 725	-	42 117 331	(136 504)	2 369 538 163	(1 206 373 647)	(45 047 210)	-	4 953	(1 251 415 904)	1 118 122 258

MOQHAKA LOCAL MUNICIPALITY

APPENDIX C

UNAUDITED SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2010

	Cost							Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Transfer In	Revaluation	Under Construction	Disposals	Closing Balance	Opening Balance	Depreciation	Transfer In	Disposals	Closing Balance	
Assessment Rates	87 157	-	-	-	-	-	87 157	(41 239)	(12 029)	-	-	(53 268)	33 889
Brentpark Swimming Bath	4 334 985	-	-	-	-	-	4 334 985	(2 950 078)	(91 156)	-	-	(3 041 233)	1 293 752
Budgets	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Survey	1 807 546	-	-	-	-	-	1 807 546	(236 492)	(173 525)	-	-	(410 016)	1 397 530
Buildings	38 148 957	-	-	-	-	-	38 148 957	(12 938 626)	(359 246)	-	-	(13 297 871)	24 851 086
Cemetaries	3 319 820	-	1 968 573	-	4 189 322	-	9 477 716	(2 084 628)	(103 493)	-	-	(2 188 121)	7 289 595
Civic Centre	236 919	-	-	-	-	-	236 919	(107 156)	(9 713)	-	-	(116 869)	120 050
Civil Services	1 286 051	-	-	-	-	-	1 286 051	(434 786)	(191 273)	-	-	(626 059)	659 992
Cleansing	-	261 659	-	-	-	-	261 659	-	(5 633)	-	-	(5 633)	256 026
Communication and Marketing	48 333	-	-	-	-	-	48 333	(22 023)	(5 894)	-	-	(27 916)	20 417
Community and emergency services	-	16 641	-	-	-	-	16 641	-	(1 196)	-	-	(1 196)	15 445
Community Halls	42 045	-	-	-	-	-	42 045	(21 742)	(2 142)	-	-	(23 884)	18 161
Community Services Administration	608 728	-	-	-	-	-	608 728	(245 609)	(72 003)	-	-	(317 612)	291 116
Corporate Services Administration	4 853 222	16 563	-	-	-	-	4 869 786	(1 431 084)	(796 752)	-	-	(2 227 836)	2 641 950
Corporate Services	-	204 278	-	-	-	-	204 278	(608 804)	(3 104)	-	-	(611 908)	(407 630)
Corporate Services Caretaker	-	702	-	-	-	-	702	-	(11)	-	-	(11)	691
Corporate Services IT	-	414 872	-	-	-	-	414 872	-	(25 747)	-	-	(25 747)	389 125
Corporate Services Registry	-	6 925	-	-	-	-	6 925	-	(373)	-	-	(373)	6 552
Council General Expenses	5 660	351 340	-	-	-	-	357 000	(3 398)	(8 096)	-	-	(11 494)	345 506
Councillors	-	177 761	-	-	-	-	177 761	-	(6 552)	-	-	(6 552)	171 209
Drawing Office	81 275	-	-	-	-	-	81 275	(3 357)	(1 108)	-	-	(4 465)	76 810
Electricity Distribution	648 480 207	89 956	1 503 089	-	1 064 563	-	651 137 815	(315 026 588)	(9 842 057)	-	-	(324 868 646)	326 269 169
Electricity Generation	1 220	-	-	-	-	-	1 220	-	-	-	-	-	1 220
Electricity Metering Section	719 890	3 299	-	-	-	-	723 189	(102 518)	(14 246)	-	-	(116 764)	606 425
Electricity Services Administration	29 982 359	-	-	-	-	(1 675)	29 980 684	(22 947 027)	(784 829)	-	576	(23 731 280)	6 249 404
Electricity	-	131 524	-	-	-	-	131 524	-	(2 851)	-	-	(2 851)	128 673
Emergency and Disaster	-	-	-	-	-	-	-	-	-	-	-	-	-
Management Administration	624 987	-	-	-	-	-	624 987	(202 943)	(53 581)	-	-	(256 524)	368 464
Finance Services Administration	1 923 298	32 120	-	-	-	(4 000)	1 951 418	(835 598)	(222 588)	-	2 862	(1 055 325)	896 094
Finance	-	324 254	-	-	-	-	324 254	-	(18 493)	-	-	(18 493)	305 761
Fire fighting	3 587 775	1 680	-	-	-	-	3 589 455	(1 102 537)	(224 447)	-	-	(1 326 984)	2 262 471
Fleet Management	249 709	-	-	-	-	-	249 709	(30 218)	(4 192)	-	-	(34 410)	215 299
Grants- in- aid	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	27 550	-	-	-	2 855 700	-	2 883 250	(13 599)	(3 397)	-	-	(16 995)	2 866 255
Housing Maokeng	-	130 829	-	-	-	(130 829)	-	-	(1 516)	-	1 516	0	0
Human Resources	171 774	2 735	-	-	-	-	174 509	(64 778)	(20 373)	-	-	(85 151)	89 358
Information Technology	876 795	640 581	-	-	-	-	1 517 376	(361 969)	(81 805)	-	-	(443 775)	1 073 601
Integrated Development and Planning	5 750	-	-	-	-	-	5 750	(2 769)	(795)	-	-	(3 563)	2 187
Internal Audit	197 031	-	-	-	-	-	197 031	(59 182)	(33 349)	-	-	(92 531)	104 500
Jukseipark	-	-	-	-	-	-	-	-	-	-	-	-	-
Kroonpark	58 580 712	282 755	-	-	-	-	58 863 466	(25 700 499)	(1 501 094)	-	-	(27 201 593)	31 661 873
Landfill Site	10 968 932	-	-	-	-	-	10 968 932	(6 282 195)	(358 036)	-	-	(6 640 231)	4 328 701
Libraries	223 187	-	-	-	-	-	223 187	(108 940)	(13 500)	-	-	(122 440)	100 748
Local Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
Loubserpark	13 068 626	-	-	-	-	-	13 068 626	(9 391 540)	(292 513)	-	-	(9 684 053)	3 384 573
Manager Corporate Services	76 636	-	-	-	-	-	76 636	(32 396)	(7 325)	-	-	(39 721)	36 915
Mayor's Office	365 800	516 916	-	-	-	-	882 715	(61 212)	(18 250)	-	-	(79 462)	803 253
Metering services	-	130 829	-	-	-	-	130 829	-	(2 816)	-	-	(2 816)	128 013
Morewag Swimming Bath	7 633 326	-	-	-	-	-	7 633 326	(5 174 161)	(183 094)	-	-	(5 357 255)	2 276 071
Mowing Section	557 483	-	-	-	-	-	557 483	(173 927)	(11 932)	-	-	(185 859)	371 625
Municipal Manager	-	15 887	-	-	-	-	15 887	-	(1 204)	-	-	(1 204)	14 682
Municipality Manager Administration	2 690 947	182 813	-	-	-	-	2 873 761	(994 203)	(319 804)	-	-	(1 314 007)	1 559 754
Nyakalong Recreation Resort	4 971 279	-	-	-	-	-	4 971 279	(2 139 987)	(142 778)	-	-	(2 282 764)	2 688 515
Occupational Health and Safety	125 760	-	-	-	-	-	125 760	(26 150)	(3 488)	-	-	(29 637)	96 123
Office of the Whip	1 030 154	-	-	-	-	-	1 030 154	(320 689)	(193 412)	-	-	(514 101)	516 053
Other Councillors	1 177 331	-	-	-	-	-	1 177 331	(321 748)	(201 456)	-	-	(523 204)	654 127
Parks	-	597 082	-	-	-	-	597 082	-	(13 346)	-	-	(13 346)	583 736
Parks Administration	1 284 040	-	-	-	-	-	1 284 040	(479 276)	(152 017)	-	-	(631 293)	652 748
Pavements and Open Spaces	242 683	-	-	-	-	-	242 683	(26 298)	(2 927)	-	-	(29 224)	213 459
Properties Farmlands	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Gardens North	200 743	-	-	-	-	-	200 743	(31 413)	(2 724)	-	-	(34 137)	166 606
Public Gardens South	28 770	-	-	-	-	-	28 770	-	-	-	-	-	28 770
Public Toilets	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Works	497 721	4 156 675	-	-	-	-	4 654 397	(116 969)	(97 015)	-	-	(213 984)	4 440 413
Pumps and Purification	154 998 367	955 854	1 951 246	-	-	-	157 905 467	(113 201 902)	(3 091 266)	-	-	(116 293 168)	41 612 299
Railway sidings	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation	59 532 549	2 159	-	-	-	-	59 534 708	(40 280 844)	(1 253 340)	-	-	(41 534 184)	18 000 524
Refuse Removal	3 001 235	4 770 883	-	-	-	-	7 772 118	(523 052)	(155 767)	-	-	(678 819)	7 093 299
Regional Co- ordinator Steynsrus	137 302	-	-	-	-	-	137 302	(48 921)	(7 389)	-	-	(56 310)	80 992
Regional Co- ordinator Vijoenskrone	98 878	-	-	-	-	-	98 878	(2 667)	(897)	-	-	(3 564)	95 314
Riverside Swimming Bath	-	-	-	-	-	-	-	-	-	-	-	-	-
Roads and Streets	569 266 023	-	3 307 257	-	21 754 490	-	594 327 769	(349 448 027)	(12 178 055)	-	-	(361 626 083)	232 701 686
Security	145 773	160 546	-	-	-	-	306 320	(15 551)	(5 915)	-	-	(21 466)	284 853
Sewerage	-	130 829	-	-	-	-	130 829	-	(2 816)	-	-	(2 816)	128 013
Sewerage and Purification	136 972 722	2 750	8 822 717	-	-	-	145 798 189	(75 422 148)	(3 260 107)	-	-	(78 682 255)	67 115 934
Sewerage Network	191 067 777	40 274	-	-	9 452 846	-	200 560 897	(81 291 553)	(3 268 366)	-	-	(84 559 920)	116 000 977
Speaker's Office	277 972	-	-	-	-	-	277 972	(52 911)	(17 172)	-	-	(70 083)	207 889
Storage Dams	12 779 330	-	-	-	-	-	12 779 330	(5 151 117)	(181 630)	-	-	(5 332 747)	7 446 584
Stores and Procurement	2 910	-	-	-	-	-	2 910	(1 185)	(108)	-	-	(1 294)	1 616
Street Cleaning Services	-	-	-	-	-	-	-	-	-	-	-	-	-
Town Hall	52 222	-	-	-	-	-	52 222	(24 619)	(1 942)	-	-	(26 562)	25 660
Traffic	-	281 884	-	-	-	-	281 884	-	(5 428)	-	-	(5 428)	276 456
Traffic department	797 798	-	-	-	-	-	797 798	(77 004)	(13 529)	-	-	(90 533)	707 265
Valuations	-	-	-	-	-	-	-	-	-	-	-	-	-
Water Reticulation	315 213 636	-	2 784 842	-	-	-	317 998 478	(127 367 586)	(4 863 347)	-	-	(132 230 933)	185 767 545
Water Services	38 557	392 488	-	-	2 800 411	-	3 231 456	(155)	(11 019)	-	-	(11 174)	3 220 282
Water Services Administration	1 841 460	2 750	-	-	-	-	1 844 210	(204 054)	(30 009)	-	-	(234 063)	1 610 148
Works	-	130 829	-	-	-	-	130 829	-	(2 816)	-	-	(2 816)	128 013
Total	2 291 657 686	15 561 925	20 337 725	-	42 117 331	(136 504)	2 369 538 162	(1 206 373 647)	(45 047 210)	-	4 953	(1 251 415 904)	1 118 122 258

**MOQHAKA MUNICIPALITY
APPENDIX D**

UNAUDITED DEPARTMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

Actual Income 2009 R	Actual Expenditure 2009 R	Surplus/ (Deficit) 2009 R		Actual Income 2010 R	Actual Expenditure 2010 R	Surplus/ (Deficit) 2010 R
4 625 566	53 920 551	(49 294 985)	Executive & Council	459 863	24 391 981	(23 932 118)
79 757 144	49 270 278	30 486 866	Finance & Administration	124 553 684	109 569 534	14 984 150
-	3 197 440	(3 197 440)	Planning & Development	-	4 509 256	(4 509 256)
-	120 053	(120 053)	Health	-	40 859	(40 859)
790 763	18 984 868	(18 194 105)	Community & Social Services	748 462	18 885 851	(18 137 389)
2 004 745	1 719 443	285 302	Housing	1 035 788	1 990 702	(954 914)
1 023 020	18 031 856	(17 008 836)	Public Safety	1 214 946	18 850 922	(17 635 976)
2 563 897	10 316 299	(7 752 402)	Sport & Recreation	2 557 585	7 122 340	(4 564 755)
18 026 048	14 202 911	3 823 137	Waste Management	17 018 911	20 970 285	(3 951 373)
280 900	24 986 741	(24 705 841)	Road Transport	73 296	12 092 525	(12 019 228)
43 312 042	40 909 715	2 402 327	Water	53 641 724	42 400 179	11 241 544
130 859 492	95 852 971	35 006 521	Electricity	162 600 055	105 945 090	56 654 965
23 261 518	18 502 501	4 759 017	Sewerage	17 082 749	11 917 393	5 165 356
603 487	4 852 764	(4 249 277)	Other	557 265	4 169 053	(3 611 788)
307 108 622	354 868 391	(47 759 769)	Sub-total	381 544 328	382 855 970	(1 311 641)
-	(7 520 768)	7 520 768	Less Inter-Departmental Charges	-	6 353 391	(6 353 391)
307 108 622	347 347 623	(40 239 001)	Total	381 544 328	389 209 361	(7 665 032)

**MOQHAKA LOCAL MUNICIPALITY
APPENDIX E1**

UNAUDITED ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

Revenue	Actual 2010 R	Budget 2010 R	Variance 2010 R	Variance 2010 %	Explanation of significant variances of 10% and greater versus budget
Property rates	34 342 953	34 220 000	122 953	0	
Service charges	177 144 235	158 379 600	18 764 635	12	
Rental of facilities and equipment	3 160 310	3 498 400	(338 090)	(10)	
Interest earned - external investments	230 231	450 000	(219 769)	(49)	
Interest earned - outstanding receivables	4 154 269	8 660 000	(4 505 731)	(52)	
Fines	813 557	715 000	98 557	14	
Government grants and subsidies	147 890 999	135 402 000	12 488 999	9	
Other income	5 003 027	4 257 000	746 027	18	
Surplus/(deficit) on sale of assets	(130 034)	-	(130 034)	100	
Dividends	-	20 000	(20 000)	100	
Fair value through surplus/(deficit)	30 896	-	30 896	100	
Total Revenue	372 640 443	345 602 000	27 038 443	8	
Expenditure					
Employee related costs	118 096 681	210 606 576	(92 509 895)	(44)	
Remuneration of councillors	12 009 197	10 045 670	1 963 527	20	
General expenditure departments	45 440 803	55 531 081	(10 090 278)	(18)	
General expenditure bulk purchases	86 326 205	61 200 000	25 126 205	41	
General expenditure contracted services	6 481 740	5 800 580	681 160	12	
Interest paid	10 041 057	4 210 900	5 830 157	138	
Repairs and maintenance	17 892 423	14 871 031	3 021 392	20	
Bad debts	39 017 013	-	39 017 013	100	
Inter-departmental charges	-	7 754 101	(7 754 101)	100	
Depreciation	45 000 356	-	45 000 356	100	
Total Expenditure	380 305 475	370 019 939	10 285 536	3	
Reconciling items between IMFO budget and GRAP/GAMAP/GAAP financial statements.					
Contributions to special funds	-	(856 000)	856 000	(100)	
Provision for working capital	-	3 170 000	(3 170 000)	(100)	
Capital Expenditure	-	8 000 000	(8 000 000)	(100)	
Net surplus/(deficit) for the year	(7 665 032)	(14 103 939)	6 438 907		

**MOQHAKA LOCAL MUNICIPALITY
APPENDIX E (2)**

UNAUDITED ACTUAL EXPENDITURE VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of significant variances greater than 5% versus budget
	R	R	R	R	R	%	
Assessment Rates	-	-	-	-	-		
Brentpark Swimming Bath	-	-	-	-	-		
Budgets	-	-	-	-	-		
Building Survey	-	-	-	-	-		
Buildings	-	-	-	-	-		
Cemetaries	1 968 573	4 189 322	6 157 895	-	6 157 895		
Civic Centre	-	-	-	-	-		
Civil Services	-	-	-	-	-		
Cleansing	261 659	-	261 659	-	261 659		
Communication and Marketing	-	-	-	-	-		
Community and emergency services	16 641	-	16 641	-	16 641		
Community Halls	-	-	-	-	-		
Community Services Administration	-	-	-	-	-		
Corporate Services Administration	16 563	-	16 563	-	16 563		
Corporate Services	204 278	-	204 278	-	204 278		
Corporate Services Caretaker	702	-	702	-	702		
Corporate Services IT	414 872	-	414 872	-	414 872		
Corporate Services Registry	6 925	-	6 925	-	6 925		
Council General Expenses	351 340	-	351 340	-	351 340		
Councillors	177 761	-	177 761	-	177 761		
Drawing Office	-	-	-	-	-		
Electricity Distribution	1 593 045	1 064 563	2 657 608	-	2 657 608		
Electricity Generation	-	-	-	-	-		
Electricity Metering Section	3 299	-	3 299	-	3 299		
Electricity Services Administration	-	-	-	-	-		
Electricity	131 524	-	131 524	-	131 524		
Emergency and Disaster Management Administration	-	-	-	-	-		
Finance Services Administration	32 120	-	32 120	-	32 120		
Finance	324 254	-	324 254	-	324 254		
Fire fighting	1 680	-	1 680	-	1 680		
Fleet Management	-	-	-	-	-		
Grants- in- aid	-	-	-	-	-		
Housing	-	2 855 700	2 855 700	-	2 855 700		
Housing Maokeng	130 829	-	130 829	-	130 829		
Human Resources	2 735	-	2 735	-	2 735		
Information Technology	640 581	-	640 581	-	640 581		
Integrated Development and Planning	-	-	-	-	-		
Internal Audit	-	-	-	-	-		
Jukseipark	-	-	-	-	-		
Kroonpark	282 755	-	282 755	-	282 755		
Landfill Site	-	-	-	-	-		
Libraries	-	-	-	-	-		
Local Economic Development	-	-	-	-	-		
Loubserpark	-	-	-	-	-	N/A	
Manager Corporate Services	-	-	-	-	-		
Mayor's Office	516 916	-	516 916	-	516 916		
Metering services	130 829	-	130 829	-	130 829		
Morewag Swimming Bath	-	-	-	-	-		
Mowing Section	-	-	-	-	-		
Municipal Manager	15 887	-	15 887	-	15 887		
Municipality Manager Administration	182 813	-	182 813	-	182 813		
Nyakallong Recreation Resort	-	-	-	-	-		
Occupational Health and Safety	-	-	-	-	-		
Office of the Whip	-	-	-	-	-		
Other Councillors	-	-	-	-	-		
Parks	597 082	-	597 082	-	597 082		
Parks Administration	-	-	-	-	-		
Pavements and Open Spaces	-	-	-	-	-		
Properties Farmlands	-	-	-	-	-		
Public Gardens North	-	-	-	-	-		
Public Gardens South	-	-	-	-	-		
Public Toilets	-	-	-	-	-		
Public Works	4 156 675	-	4 156 675	-	4 156 675		
Pumps and Purification	2 907 100	-	2 907 100	-	2 907 100		
Railway sidings	-	-	-	-	-		
Recreation	2 159	-	2 159	-	2 159		
Refuse Removal	4 770 883	-	4 770 883	-	4 770 883		
Regional Co- ordinator Steynsrus	-	-	-	-	-		
Regional Co- ordinator Viljoenskroon	-	-	-	-	-		
Riverside Swimming Bath	-	-	-	-	-		
Roads and Streets	3 307 257	21 754 490	25 061 746	-	25 061 746		
Security	160 546	-	160 546	-	160 546		
Sewerage	130 829	-	130 829	-	130 829		
Sewerage and Purification	8 825 468	-	8 825 468	-	8 825 468		
Sewerage Network	40 274	9 452 846	9 493 120	-	9 493 120		
Speaker's Office	-	-	-	-	-		
Storage Dams	-	-	-	-	-		
Stores and Procurement	-	-	-	-	-		
Street Cleaning Services	-	-	-	-	-		
Town Hall	-	-	-	-	-		
Traffic	281 884	-	281 884	-	281 884		
Traffic department	-	-	-	-	-		
Valuations	-	-	-	-	-		
Water Reticulation	2 784 842	-	2 784 842	-	2 784 842		
Water Services	392 488	2 800 411	3 192 899	-	3 192 899		
Water Services Administration	2 750	-	2 750	-	2 750		
Works	130 829	-	130 829	-	130 829		
Total	35 899 650	42 117 331	78 016 981	-	78 016 981		The municipality do not budget for the acquisition of PPE on a departmental level. A pool of funds are budgeted for, and funds are allocated to a specific department when requested. Subsequently a comparison can not be performed between actual and budgeted PPE acquisitions on a departmental level. The total budget for PPE purchases was R 20 899 861.

MOQHAKA LOCAL MUNICIPALITY
APPENDIX F

UNAUDITED DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 2003 FOR THE YEAR ENDED 30 JUNE 2010

Grants and subsidies received

Name of Grants	Name of organ of state or municipal entity.	Quarterly Income				Quarterly Expenditure				Delayed or withheld Yes / No	Comply with conditions Yes / No
		Sept 2009	Dec 2009	March 2010	June 2010	Sept 2009	Dec 2009	March 2010	June 2010		
Equitable Share	National Government	44 353 576	35 482 861	22 533 282	-	44 353 576	35 482 861	22 533 282	-	No	Yes
Councillors Grant	National Government	-	-	459 863	-	-	-	459 863	-	No	Yes
Institutional Grant	National Government	735 000	-	-	-	-	-	-	167 388	No	Yes
Municipal Infrastructure Grant	National Government	9 121 000	13 253 000	753 000	12 704 000	15 757 724	9 707 252	273 328	15 829 525	No	Yes
LGSETA	National Government	-	241 289	93 043	116 432	-	-	-	191 634	No	Yes
Rehabilitation of sewerage network	National Government	-	-	-	4 086 066	-	-	-	4 932 531	No	Yes
Financial Management Grant	National Government	750 000	-	-	-	-	-	-	-	No	Yes
		54 959 576	48 977 150	23 839 188	16 906 498	60 111 300	45 190 113	23 266 473	21 121 077		

**MOQHAKA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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The principal accounting policies adopted in the preparation of these financial statements are set out below.

BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, unless specifically stated otherwise.

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003).

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

The accounting policies are applied consistently with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

The financial statements are compiled with reference to the standards included in the GRAP reporting framework, Appendix B, as determined in Directive 5 issued by the Accounting Standards Board.

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.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Details of amendment and anticipated impact thereof	Annual periods beginning on or after
GRAP 18 – Segment Reporting	New standard of GRAP dealing with presentation and disclosure requirements in respect of segment reporting. Will require significant new disclosures.	To be determined by the Minister of Finance (issued March 2005)
GRAP 21 – Impairment of Non-cash-generating Assets	New standard of GRAP dealing with the requirements around determining impairments of non-cash generating assets.	To be determined by the Minister of Finance (issued March 2009)
GRAP 23 – Revenue from Non-exchange transactions	New standard of GRAP dealing with revenue from non-exchange transactions, including grant income, levies and taxes. This is likely to change the way that grants are accounted as the new standard eliminates the matching principal and focuses only on the conditions as a factor for determining the recognition of grant revenue.	To be determined by the Minister of Finance (issued February 2008)
GRAP 24 – Presentation of Budget Information in the Financial Statements	New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1. The impact of this is currently being assessed by management as part of the work on	To be determined by the Minister of Finance (issued November 2007)

**MOQHAKA LOCAL MUNICIPALITY
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Standard	Details of amendment and anticipated impact thereof	Annual periods beginning on or after
GRAP 25 – Employee Benefits	assets.	
GRAP 26 - Impairment of Cash-generating Assets	New standard of GRAP dealing with the requirements around determining impairments of cash generating assets. The impact of this is currently being assessed by management as part of the work on assets.	To be determined by the Minister of Finance (issued March 2009)
GRAP 103 – Heritage Assets	New standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of heritage assets. The impact of this is currently being assessed by management as part of the work on assets.	To be determined by the Minister of Finance (issued July 2008)
IAS 24 – Related Parties	<p>IAS 24 (AC 126) (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities.</p> <p>The change in the definition of a related party has resulted in a number of new related party relationships being identified.</p> <p>Government-related entities will have to provide the following disclosures: name of the government and nature of the relationship; nature and amount of each individually significant transaction and a qualitative or quantitative indication of the extent of other transactions that are collectively, but not individually, significant.</p>	IAS 24 (AC 126) (revised) will be adopted by Moqhaka Local Municipality for the first time for its financial reporting period ending 30 June 2012. The standard will be applied retrospectively.
IFRS 9 – Financial Instruments	<p>IFRS 9 addresses the initial measurement and classification of financial assets and will replace the relevant sections of IAS 39.</p> <p>Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.</p> <p>The impact on the financial statements for 30 June 2010 has not yet been estimated.</p>	IFRS 9 will be adopted by Moqhaka Local Municipality for the first time for its financial reporting period ending 30 June 2014. The standard will be applied retrospectively, subject to transitional provisions.

**MOQHAKA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

PRESENTATION CURRENCY

The financial statements are presented in South African Rand, which is the functional currency of the municipality, and are rounded off to the nearest Rand.

GOING CONCERN

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 12 months.

COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and based on IPSAS 24, has been provided in Annexure E to these financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed in note 42.

Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. The nature and reason for the reclassification is disclosed in note 42.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

SIGNIFICANT JUDGEMENTS

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

Loans and receivables

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

In assessing collective impairment the municipality uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Allowance for slow moving, damaged and obsolete inventory

An allowance is made for slow-moving, damaged and obsolete inventory to write the inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the Statement of Financial Performance.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the municipality is the current bid price.

**MOQHAKA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Impairment testing

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. If there are indications that impairment (i.e. carrying amount is less than recoverable amount) may have occurred, estimates are prepared of expected future cash flows for each group of assets.

The recoverable amounts of cash-generating units and individual are determined based on the higher of value-in-use calculations and fair values.

Effective interest rate and deferred payment terms

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.

Appropriate adjustments have been made to compensate for the effect of deferred settlement terms that materially impact on the fair value of financial instruments, revenue and expenses at initial recognition. The adjustments require a degree of estimation around the discount rates and periods used.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of the estimates applied in the measurement of provisions is included in note 12 – Non Current Provisions.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Useful lives and residual values

The municipality re-assess the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

PROPERTY, PLANT AND EQUIPMENT

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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.

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

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

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

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. 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. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Depreciation commence when the asset is ready for its intended use. The annual depreciation rates are based on the following estimated average asset lives:

Asset Class	Expected depreciation period
Electricity	10 – 160 years
Parks infrastructure assets	4 – 160 years
Potable water networks	8 – 135 years
Roads, bridges and roadside structures	4 – 165 years
Waste water networks	5 – 135 years
Storm water	45- 160 years
Solid waste	15 – 40 years
Community assets	4 – 160 years
Heritage Assets	Not depreciated
Land, buildings	30 – 190 years
Investment properties	30 – 190 years
Vehicles	2 – 35 years
Office Equipment	2 – 60 years
Furniture	2 – 45 years
IT Equipment	2 – 45 years
Plant and Equipment	2 – 85 years

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

The municipality tests for impairment where there is an indication that an asset may be impaired. An

**MOQHAKA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

De-recognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

INTANGIBLE ASSETS

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. Software that is an integral part of the related hardware is classified as Property, Plant and Equipment. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- 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;
- 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.

Intangible assets are initially recognised at cost.

Subsequent measurement – Cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

Amortisation and impairment

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The annual depreciation rates are based on the following estimated average asset lives:

Intangible asset	
Computer software – financial system	20 years
Computer operating system licences	5 years

**MOQHAKA LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

De-recognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

INVESTMENT PROPERTY

Initial recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn long-term rentals yields and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Subsequent measurement

Investment property is measured at cost less accumulated depreciation and impairment losses.

INVENTORIES

Initial recognition

Inventories comprise consumables, water inventory and capital projects inventory. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
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Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Inventories are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

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.

The following cost formulas are applied for every inventory class:

Inventory classes	Measurement basis
Consumable stores	First-in-first-out
Water Inventory	Average cost

The cost of inventories of items that are produced and segregated for specific projects is assigned using specific identification of the individual costs. The same cost formula is used for all inventories having a similar nature and use to the entity.

IMPAIRMENT OF ASSETS

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

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

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

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

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

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

A municipality assesses at each reporting date whether there is any indication that an impairment loss

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recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

FINANCIAL INSTRUMENTS

Initial recognition

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

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the municipality becomes party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are accounted for at trade date.

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

Financial Assets

Investments in fixed deposits and short-term deposits invested in registered commercial banks, are categorised as loans and receivables, and are measured at fair value upon initial recognition and thereafter carried at amortised cost, using the effective interest rate method.

Investments in listed shares are categorised as financial assets at fair value through surplus and loss (held for trading) and are measured at fair value, and changes therein are recognised in profit or loss.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Fair value determination

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

The fair value of financial assets at fair value through surplus or loss is determined by reference to their quoted closing bid price at the reporting date.

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Trade and other receivables

Trade receivables classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Default or delinquency in payments 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 the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the Statement of Financial Performance.

Trade payables and Borrowings

Trade payables and borrowings are initially measured at fair value. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value. These are initially recorded at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents are classified as loans and receivables.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term.

Assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned.

Assets are measured initially and subsequently at fair value. Gains and losses arising from changes in fair value are included in surplus or deficit for the period.

Transaction costs are recognised in surplus or deficit. Dividend income is recognised in the Statement of Financial Performance as part of other income when the entity's right to receive payment is established.

Impairment

At reporting date, the Municipality determines whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the deficit is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit deficits 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 amount of the deficit is recognised in surplus or deficit.

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LEASES

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

Finance leases - lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease and have been considered by the municipality:

- lease transfers ownership of the asset to the lessee by the end to the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- the leased asset is of such a specialised nature that only the lessee can use them without major modifications;
- if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

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, at the commencement of the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

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

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

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 determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

If an arrangement contains a lease, then the requirement of GRAP 3 are applied only to the lease element of the arrangement. At the inception of such arrangements, payments required by the arrangement should be split into lease payments and payments related to other elements of the arrangement based on their relative fair values.

Operating leases - lessor

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

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

Income for leases is disclosed as a separate line item in the Statement of Financial Performance. Contingent rentals received / receivable are recognised in income in the period when they become due and are not

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included in the straight-line lease income.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as either a pre-paid expense asset or liability depending on whether the payment exceeds the expense or vice versa. This asset/liability is not discounted, as it is already carried at fair value.

Any contingent rents are expensed in the period they are incurred and are not included in the straight-line lease expense.

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, if the effect is immaterial.

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

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

Defined contribution plans

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

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

Multi-employer plans

A multi-employer plan is classified as either a defined benefit plan or a defined contribution plan. If the plan is a defined benefit plan, an actuarial valuation should be obtained. Normal defined benefit accounting would be applied to the proportionate share of the obligation and assets relating to the municipality. If actuaries are unable to provide the municipality with an actuarial valuation, the municipality accounts for the plan as if it were a defined contribution plan.

PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when:

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

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

The Municipality uses a pre-tax rate that reflects current market assessments of the time value of money and the risks for which future cash flow estimates have been adjusted.

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

Provisions are not recognised for future operating deficits.

If a municipality has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

REVENUE

Revenue from Non-Exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Moqhaka Local Municipality classifies revenue received from taxes and transfers (whether cash or non-cash, including grants, debt forgiveness, fines, bequests, gifts, donations and goods and services in-kind) as non-exchange revenue.

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

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Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality. Contributed property, plant and equipment qualify for recognition either when the item is available for use or when the risks and rewards of ownership have transferred.

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

Revenue from Exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. Exchange Revenue comprises of rates, service charges for sanitation, water, refusal removal, grants and income for agency 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 associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the Statement of Financial Position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be 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 reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue from exchange transactions is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business.

Interest is recognised, in surplus or deficit, on a time proportionate basis using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

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

GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attached to them; and

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- the grants will be received.

Government grants are recognised as income to the extent that the municipality has satisfied / complied with the conditions attached to the grant.

A government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the municipality, with no future related costs, is recognised as income in the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the Statement of Financial Position by setting up the grant as deferred income, which is released to the Statement of Financial Performance as the municipality satisfies the conditions of the grant. As such the deferred income, presented with regards to government grants, represent the unspent portion of the grant for which the municipality has not satisfied the conditions of the grant.

Grants related to income are presented as a credit in the Statement of Financial Performance (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of an unspent grant related to an asset is recorded by reducing the deferred income balance by the amount repayable.

FOREIGN EXCHANGE TRANSACTIONS

Donations are received from foreign donors. Donor contracts stipulate that at the end of the donation period remaining donor funds should be refunded to the donors. Foreign donations are recognised in the same manner as accounting for government grants.

A foreign currency transaction is recorded, on initial recognition in Rand, by applying to the foreign currency amount at the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or deficit on a non-monetary item is recognised directly in net assets, any exchange component of that gain or deficit is recognised directly in net assets. When a gain or deficit on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or deficit is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL 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 Municipal Finance Management Act. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, the Municipal Systems Act and the Public Office Bearers Act or any other applicable legislation, or in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

BORROWING COST

Borrowing costs are recognised as an expense in the period in which they are incurred, unless the borrowing cost was incurred in relation to a qualifying asset in which case the borrowing cost is capitalized in the cost of such an asset.

RELATED PARTIES

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All municipalities and municipal entities, with whom the municipality has transacted with, are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard.