

**ANNUAL FINANCIAL STATEMENT FOR THE YEAR
ENDED 30 JUNE 2011**



NALEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

General information

Members of the Council

M MAHASE	Mayor
J MAKITLE	Speaker
M SEOKO	Member
M SEHLOHO	Member
M HADDAD	Member
M MAHLOKO	Member
K RAKHUNOANE	Member
G TLADI	Member

Acting Municipal Manager

NW TUKANI

Acting Chief Financial Officer

ML MOFOKENG

Grading of Local Authority

CATEGORY 1

Auditors

M MOTSHABI
Auditor-General

AG SA

Bankers

ABSA

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General information (continued)

Grading of the municipality	The Naledi Local Municipality is a Grade Two Local Authority in terms of Government Notice R999 of 2 October 2001, Published in terms of IV terms of the Remunerations of Public Office Bearers Act, 1998.
Registered address	Municipal Building Brand Street Dewetsdorp 9940
Postal address	Private Bag X1 Dewetsdorp 9940
Auditors	The Auditor - General: Free State
Bankers	ABSA

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, 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, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note XXX 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.

DATE

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011			
	Note	2011 R	2010 R
ASSETS			
Current assets		18 369 236	30 531 417
Inventories	2	29 475	1 013 934
Consumer debtors and other receivables	3	1 218 376	18 348 055
Other receivables	4	15 782 957	10 244 244
Cash and cash equivalents	5	1 338 427	925 185
Non-current assets		174 454 068	171 693 718
Property, plant and equipment	6	174 399 905	171 641 068
Investments	7	54 163	52 650
Total assets		192 823 303	202 225 135
LIABILITIES			
Current liabilities			
Borrowings	8	537 281	651 126
Finance lease liability	10	591 805	524 055
Trade and other payables	11	58 613 309	52 416 489
Bank Overdraft	14	1 753 545	1 263 847
Non-current liabilities			
Borrowings		113 845	113 845
Consumer Deposits	8	394 944	378 271
Finance lease liability	9 10	560 144	1 151 949
Total liabilities		62 564 873	56 499 581
Net assets		130 258 431	145 725 554
NET ASSETS			
Accumulated surplus / (deficit)		130 258 431	145 725 554
Total net assets		130 258 431	145 725 554

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011			
	Note	2011 R	2010 R
Revenue			
Service charges	12	23 839 687	17 273 729
Finance Income		1 766	4 857
Dividends received		6 273	12 536
Government grants and subsidies	14	48 564 988	30 290 255
Rental of facilities and equipment	15	336 997	259 216
Other Revenue		2 596 481	3 870 557
Total revenue		75 346 193	51 711 151
Expenses			
Employee related costs	16	21 854 555	20 816 986
Remuneration of councillors	17	1 972 818	1 312 660
Depreciation and amortisation expense	18	9 264 670	311 257
Bad debts		14 576 086	-
Finance costs	19	2 719 041	129 083
Repairs and maintenance		1 751 766	1 369 327
Bulk purchases	20	16 002 778	13 021 792
General expenses	22	19 313 013	6 100 779
Total expenses		87 454 726	43 061 884
Gain / (loss) on disposal of assets		-	2 502 035
Profit / (loss) on fair value adjustment		5 428	125 965 899
Surplus / (deficit) for the period		(12 103 105)	137 117 201

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Accumulated Surplus/(Deficit)	Total: Net Assets
	R	R
Balance at 30 June 2009	28 009 091	28 009 091
Prior Year adjustments	(19 400 738)	(19 400 738)
Restated balance	8 608 353	8 608 353
Surplus / (deficit) for the period	-	-
Transfers to / from accumulated surplus/(deficit)	137 117 201	137 117 201
Balance at 30 June 2010	145 725 554	145 725 554
	-	-
Transfers to / from accumulated surplus/(deficit)	(3 364 018)	(3 364 018)
Surplus / (deficit) for the period	(12 103 105)	(12 103 105)
Balance at 30 June 2011	144 217 769	130 258 431

NALEDI LOCAL MUNICIPALITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		-	-
Cash paid to suppliers and employees		18 656 055	28 859 895
Cash generated from / (utilized in) operations	30	18 656 055	28 859 895
Interest received		8 040	17 393
Interest paid		(2 719 041)	(129 083)
Net cash from operating activities		15 945 054	28 748 205
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(22 727 200)	(15 291 694)
(Increase)/decrease in non-current investments		(1 513)	59 936
Net cash used in investing activities		(22 728 713)	(15 231 758)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		637 901	1 562 159
Net cash used in financing activities		637 901	1 562 159
Increase/(decrease) in cash and cash equivalents		(6 145 758)	15 078 606
Cash and cash equivalents at beginning of the year		338 662	(596 278)
Cash and cash equivalents at end of the year		(415 118)	(338 662)

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ACCOUNTING POLICIES

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These 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).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent 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.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure 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. 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. 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.

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	No applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial	Applied
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP 103 Heritage Assets	Not applicable

1.6 PROPERTY, PLANT AND EQUIPMENT

1.6.1 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 initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

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. 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.

1.6.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses in respect of buildings only.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or

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ACCOUNTING POLICIES

1.6 PROPERTY, PLANT AND EQUIPMENT (cont)

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.6.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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.

1.6.4 DEPRECIATION AND IMPAIRMENT

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

Infrastructure	
Roads, pavements, bridges and storm water	30
Street names, signs and parking meters	5
Water reservoirs and reticulation	15 - 20
Electricity reticulation	20 -30
Sewerage purification and reticulation	15 - 20
Housing	30
Refuse sites	15
 <i>Community Assets</i>	
Parks and gardens	10 -30
Sport fields	20 -30
Community halls	30
Libraries	30
Recreation facilities	20 -30
Clinics	30
Fire services	30
Cemeteries	30
 <i>Other Assets</i>	
Motor vehicles	5
Plant and equipment	2 -15
Security measures	3 -10
Buildings	30
IT equipment	3 -5
Office equipment	3 -7
Specialised vehicles	10

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.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset. The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (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. (Impairment loss of a revalued asset is treated as a revaluation decrease).

1.6.5 DERECOGNITION

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.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Inventory, GRAP 17, to comply fully with this standard..

1.7 INVENTORIES

1.7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. 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.

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.

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ACCOUNTING POLICIES

1.7 INVENTORIES(cont)

1.7.2.SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, 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.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on Inventory, GRAP 11, to comply fully with this standard.

1.8 FINANCIAL INSTRUMENTS

1.8.1 INITIAL RECOGNITION

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.8.2 SUBSEQUENT MEASUREMENT

1.8.2.1 INVESTMENTS

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 ("other"). 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.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

- Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.
- Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.
- Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

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ACCOUNTING POLICIES

1.8 FINANCIAL INSTRUMENTS (cont)

1.8.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current

1.8.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.8.2.4 CASH AND CASH EQUIVALENTS

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

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.8.3 IMPAIRMENT

• An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

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.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.9 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- 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

(b) The municipality 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.

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ACCOUNTING POLICIES

1.10 LEASES

1.14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the

1.11 REVENUE

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.11.1 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.

Service charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

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

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month. Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Agency Services

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

The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

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ACCOUNTING POLICIES

1.11 REVENUE(cont)

1.11.2 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.

Rates (including collection charges and penalty interest)

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 proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Public donations and contributions

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.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Other

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

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

1.11.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

NALEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

ACCOUNTING POLICIES

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.13.2 Termination Benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.13.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.14 UNAUTHORISED EXPENDITURE

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

1.15 IRREGULAR EXPENDITURE

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

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.17 VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the invoice basis/ payments basis

NALEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
2 INVENTORIES		
Consumable stores - at cost	-	1 013 934
Water inventory	29 475	-
	29 475	1 013 934

	Gross Balances)	Impaired debtors written off)	Net Balance)
Consumer Debtors	R'000)	R'000)	R'000)
2011			
Electricity	998 181	(10 214)	987 967
Water	14 873 776	(14 808 806)	64 971
Sewerage	13 599 819	(13 537 948)	61 871
Refuse removal	11 306 745	(11 263 779)	42 966
Sundries	9 085 271	(9 024 670)	60 601
Total	49 863 793	(48 645 416)	1 218 376
2010			
Electricity	2 586 906	(243 664)	2 343 242
Water	19 372 579	(13 580 815)	5 791 764
Sewerage	14 016 441	(10 094 930)	3 921 511
Refuse removal	9 682 979	(6 091 028)	3 591 951
Sundries	6 758 481	(4 058 892)	2 699 588
Total	52 417 385	(34 069 330)	18 348 055

Sundries: Ageing

Current (0 – 30 days)	(1 661 085)	(39 741)
31 - 60 Days	116 960	122 992
61 - 90 Days	115 989	121 967
91 +	10 513 407	6 553 263
Total	9 085 271	6 758 481

Electricity, Refuse, Water and Sewerage: Ageing

Current (0 – 30 days)	1 876 619	779 268
31 - 60 Days	976 582	1 039 375
61 - 90 Days	922 368	1 168 821
91 +	37 002 953	49 429 922
Total	40 778 522	52 417 386

CONSUMER AND OTHER RECEIVABLES(cont)

Summary of Debtors by Customer Classification

	Consumers)	Industrial / Commercial)	National and Provincial Government)
	R'000)	R'000)	R'000)
2011			
Current (0 – 30 days)	1 523 839	(321 845)	(986 461)
31 - 60 Days	1 060 764	17 287	15 491
61 - 90 Days	1 006 188	16 564	15 604
91 - 120 Days	980 204	16 152	14 771
121 - 150 Days	1 010 754	16 069	15 808
151 - 180 Days	1 000 389	15 588	16 009
181 - 365 Days	4 284 936	99 228	136 136
>365 Days	36 716 818	1 311 805	1 881 692
Total debtors by customer classification	47 583 892	1 170 849	1 109 053

NALEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	2011	2010
	R	R
3 CONSUMER AND OTHER RECEIVABLES (Con.)		
 <u>Reconciliation of the impairment provision</u>		
Balance at beginning of the year	34 069 330	34 069 330
Contributions to provision	14 576 086	-
Balance at end of year	48 645 416	34 069 330
 4 OTHER RECEIVABLES		
Grants and Subsidies	6 459 914	4 736 987
SARS - VAT	9 323 043	5 507 257
	15 782 957	10 244 244
Impairment of sundry debtors	-	-
	15 782 957	10 244 244
 5 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	1 313 279	853 460
Call Investments	25 148	71 724
Cash on hand	-	-
	1 338 427	925 185
 The Municipality has the following bank accounts: -		
CURRENT ACCOUNT		
ABSA Bank Limited- Dewesdorp Branch		
Account Number-4066531831		
Cash book balance at end of year	5 756 039	838 237
Bank statement balance at beginning of year	13 238	1 186 510
Bank statement balance at end of year	-	13 238
 5 CASH AND CASH EQUIVALENTS (cont)		
CURRENT ACCOUNT		
ABSA Bank Limited- Dewesdorp Branch		
Account Number-1860270184		
Cash book balance at end of year	(4 442 760)	15 223
Bank statement balance at beginning of year	706 086	(1 058 382)
Bank statement balance at end of year	-	706 086
 <u>Short Term Call Accounts</u>		
<u>Call Account</u>		
Account Number 906 109 4154 (ABSA)		
Bank statement balance at beginning of year	48 044	44 786
Bank statement balance at end of year	-	48 044
 <u>Short Term Call Accounts</u>		
<u>Call Account</u>		
Account Number: 906 109 3425 (ABSA)		
Bank statement balance at beginning of year	23 681	22 081
Bank statement balance at end of year	25 148	23 681

NALEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

9 PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS:

9.1 Reconciliation of Carrying Value 30 June 2011	Housing Property R	Infrastructure R	Community R	Other Assets R	Total R
Carrying values at beginning of the year	-	103 766 015	12 218 828	44 952 532	160 937 375
Cost/Revaluation	-	114 208 873	13 573 376	50 657 126	178 439 376
Accumulated depreciation and impairment losses	-	(10 442 858)	(1 354 548)	(5 704 594)	(17 502 001)
Acquisitions	-	8 986 545	-	1 412 656	10 399 201
Land & Buildings	1 148 268	-	-	-	1 148 268
Capital under Construction	-	4 513 072	6 666 658	-	11 179 730
Depreciation	-	(5 262 319)	(642 340)	(3 360 010)	(9 264 670)
Carrying value of disposals	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
Other movements*	-	-	-	-	-
Carrying values at the end of the year	1 148 268	112 003 313	18 243 146	43 005 178	174 399 905
Cost/Revaluation	1 148 268	127 708 490	20 240 035	52 069 783	201 166 575
Accumulated depreciation and impairment losses	-	(15 705 177)	(1 996 889)	(9 064 605)	(26 766 671)

Refer to Appendix B for more detail on property, plant and equipment

9.2 Reconciliation of Carrying Value 30 June 2010	Housing Property R	Infrastructure R	Community R	Other Assets R	Total R
Carrying values at beginning of the year - 2009	-	108 968 014	12 861 168	40 349 839	162 179 021
Cost/Revaluation	-	114 208 873	13 573 376	42 992 148	170 774 397
Correction of error (note 32)	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(5 240 859)	(712 208)	(2 642 309)	(8 595 376)
Correction of error (note 32)	-	-	-	-	-
Acquisitions	-	-	-	7 664 978	7 664 978
Fair Value Adjustment	-	-	-	-	-
Capital under Construction	-	960 057	6 666 658	-	7 626 715
Depreciation	-	-	-	(311 257)	(311 257)
Depreciation - Fair Value Adjustments	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
*Other movements	-	-	-	-	-
Carrying values at the end of the year	-	109 928 071	12 218 828	44 952 532	170 492 800
Cost/Revaluation	-	115 168 930	13 573 376	50 657 126	179 399 433
Accumulated depreciation and impairment losses	-	(5 240 859)	(1 354 548)	(5 704 594)	(8 906 633)

NALEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

	<u>2011</u>	<u>2010</u>
	R	R
7 INVESTMENTS		
Senwes shares	14 114	11 058
Senwesbel shares	10 481	10 258
OVK Holding Shares;	11 240	16 758
OVK Operation Shares;	18 329	10 661
Sanlam		3 915
	<u>54 163</u>	<u>52 650</u>
Market value of listed investments and management 's valuation of unlisted investments		
Listed investments	-	3 915
Unlisted investments	54 163	48 735
	<u><u>54 163</u></u>	<u><u>52 650</u></u>

8 BORROWINGS		
External Loan	651 126	764 971
Less : Current portion transferred to current liabilities	113 845	113 845
Total borrowings	<u><u>537 281</u></u>	<u><u>651 126</u></u>

Management of the municipality is of the opinion that the carrying value of Long-Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

9 CONSUMER DEPOSITS		
CURRENT		
Consumer deposits	394 944	378 271
Total consumer deposits	<u><u>394 944</u></u>	<u><u>378 271</u></u>

	Minimum lease payment R'000	Future finance charges R'000	Present value of minimum lease payments R'000
2011			
Amounts payable under finance leases			
Within one year	789 535	197 730	591 805
Within two to five years	676 836	116 692	560 144
	<u>1 466 371</u>	<u>314 422</u>	<u>1 151 949</u>
Less: Amount due for settlement within 12 months (current portion)			(591 805)
			<u><u>560 144</u></u>
2010			
Amounts payable under finance leases			
Within one year	748 926	224 871	524 055
Within two to five years	1 466 371	314 422	1 151 949
	<u>2 215 297</u>	<u>539 293</u>	<u>1 676 004</u>
Less: Amount due for settlement within 12 months (current portion)			(524 055)
			<u><u>1 151 949</u></u>

The average lease term is 3 years and the average effective borrowing rate is 14.5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10% and 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

11 TRADE AND OTHER PAYABLES

Trade creditors	8 085 836	-
Centlec creditor	1 995 019	51 185
Retentions	903 067	496 253
Staff leave accrual	1 392 959	1 120 126
13 th Cheque	408 149	467 118
Other creditors	42 894 992	41 534 533
Unspent Conditional Grants	6 459 914	10 235 333
Sundry Deposits	350	350
Opening balance - system	(3 526 978)	(1 488 409)
Total creditors	58 613 309	52 416 489

12 SERVICE CHARGES

Sale of electricity	13 620 903	11 045 831
Sale of water	3 546 312	488 519
Refuse removal	2 812 291	2 421 857
Sewerage and sanitation charges	3 860 181	3 317 522
Total Service Charges	23 839 687	17 273 729

13 FINANCE INCOME

Cash and cash equivalent	1 766	4 857
Total interest	1 766	4 857

14 GOVERNMENT GRANTS AND SUBSIDIES

Capital Grants		
Equitable Share	29 881 536	23 257 888
Financial Management Grant	865 085	1 000 000
Municipality Infrastructure Grant	8 217 870	4 732 367
Municipal Systems Improvement Grant	312 276	1 300 000
Provincial Grant	4 989 141	-
Other	4 299 081	-
Total Government Grant and Subsidies	48 564 988	30 290 255

14.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to the community. All registered indigents receive a monthly subsidy towards the cost of basic services, which is funded from this grant.

(29 881 536)

19 GOVERNMENT GRANTS AND SUBSIDIES(cont)

14.2 Financial Management Grant

Balance unspent at beginning of year	725 958	399 050
Adjustment	(1 763 229)	
Current year receipts	1 200 000	1 000 000
Conditions met - transferred to revenue	(865 085)	(673 092)
Conditions still to be met (Spent not yet received)	702 357	725 958

Grant is used to implement the requirement of Municipal Finance Management Act, 56 of 2003

14.3 MIG Grant

Balance unspent at beginning of year	(1 584 281)	776 576
Adjustment	7 597 488	
Current year receipts	11 764 000	7 972 000
Conditions met - transferred to revenue	(8 217 870)	(10 332 857)
Conditions still to be met (Spent not yet received)	(9 559 338)	(1 584 281)

Grant used to implement capital projects as well as running of Project Management Unit

14 GOVERNMENT GRANTS AND SUBSIDIES(cont)

14.4 *Municipal Systems Improvement Grant*

Balance unspent at beginning of year	(1 148 049)	(1 183 657)
Adjustment	(1 742 489)	-
Current year receipts	1 000 000	1 300 000
Conditions met - transferred to revenue	(312 276)	(1 264 392)
Conditions still to be met (Spent not yet received)	2 202 813	(1 148 049)

Grant for improving the Municipal Systems

14.5 *Department of Water Affairs and Forestry*

Balance unspent at beginning of year	(775 557)	(149 799)
Current year receipts	-	-
Conditions met - transferred to revenue	-	(625 758)
Conditions still to be met (Spent not yet received)	73 357	(775 557)

Grant for the draught relief programs

14.6 *Free State Treasury Grant*

Balance unspent at beginning of year	781 406	781 406
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Provision for Impairment	-	-
Conditions still to be met (Spent not yet received)	781 406	781 406

14.7 *Free State Treasury Grant*

Balance unspent at beginning of year	111 850	111 850
Current year receipts	-	-
Conditions met - transferred to revenue	(223 600)	-
Conditions still to be met (Spent not yet received)	(111 750)	111 850

14.8 *Provincial Infrastructure Grant: Resuscitation of Boreholes*

Balance unspent at beginning of year	-	-
Current year receipts	699 445	-
Conditions met - transferred to revenue	-	-
Conditions still to be met (Spent not yet received)	699 445	-

Grant from Department of Home Affairs to refurbish the boreholes in

14.9 *Legal Costs Grant*

Balance unspent at beginning of year	-	-
Current year receipts	2 066 505	-
Conditions met - transferred to revenue	(2 067 041)	-
Conditions still to be met (Spent not yet received)	536	-

Grant was used to pay for Legal Fees on the cases against the former

14.1 *MPRA Deeds Implementation Grant*

Balance unspent at beginning of year	-	-
Current year receipts	698 500	-
Conditions met - transferred to revenue	(698 500)	-
Conditions still to be met (Spent not yet received)	-	-

CoGTA funded the Municipality to implement Municipal Property Rates

14.11 *Salaries March 2011 Grant*

Balance unspent at beginning of year	-	-
Current year receipts	2 000 000	-
Conditions met - transferred to revenue	(2 000 000)	-
Conditions still to be met (Spent not yet received)	-	-

Grant was used to pay Salaries for the month of March 2011

14.12 *Environmental Health Motheo*

Balance unspent at beginning of year	-	-
Current year receipts	4 299 081	-
Conditions met - transferred to revenue	(4 299 081)	-
Conditions still to be met (Spent not yet received)	-	-

Municipality is appointed as Environmental Health Services Provider by Motheo District Municipality.

15 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities and equipment	336 997	259 216
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16 EMPLOYEE RELATED COSTS

Employee related cost - Salaries and wages	15 646 887	14 861 450
Employee related cost - Social contributions	3 226 370	3 077 261
Travel, motor car, accomodation & other allowances	842 046	1 669 625
Housing benefits and allowances	384 553	343 099
Overtime benefits	337 744	26 424
Other Allowances	1 416 954	837 327
Proctective Clothing		1 800
Less: Employee costs included in other expenses	-	-
Total Employee Related Costs	21 854 555	20 816 986

Remuneration of the Acting Municipal Manager

Annual Remuneration	110 360	427 951
Bonus	-	39 816
Car Allowance and Telephone Allowances	66 926	211 788
Contributions to Medical and Provident Funds, non Pensionable allowance	-	-
Other allowances	3 608	-
Total	180 894	679 555

The Acting Municipal Manager was appointed in September 2010

Remuneration of the Acting Chief Finance Officer

Annual Remuneration	184 726	474 099
Acting Allowance	227 480	-
Car Allowance	69 644	-
Other allowances	15 026	161 200
Contributions to Medical and Provident Funds, non Pensionable allowance	63 586	-
Total	560 462	635 299

The Acting Chief Financial Officer was appointed in September 2010

Remuneration of the individual Executive Directors:

Remuneration of the Head: Technical Services		
Annual Remuneration	197 216	359 375
Acting Allowance	132 872	34 224
Car Allowance	69 644	101 000
Other allowances	5 194	-
Contributions to Medical and Provident Funds, non Pensionable allowance	66 983	98 420
Total	471 909	593 019

The Acting Technical Services Director was appointed in September 2010

Remuneration of the Head: Corporate Services		
Annual Remuneration	131 899	400 041
Acting Allowance	236 733	22 384
Car Allowance	41 765	118 864
Other allowances	31 896	-
Contributions to Medical and Provident Funds, non Pensionable allowance	39 358	-
Total	481 650	541 289

The Acting Corporate Services Director was appointed in August 2010

17 REMUNERATION OF COUNCILLORS

Executive Mayor	506 681	426 428
Councillors	1 466 137	886 232
Total Councillors' Remuneration	1 972 818	1 312 660

In-kind Benefits

The Mayor/Speaker is full time Councillor. He is provided with an office and secretarial support at the cost of Council.

18 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	9 264 670	311 257
Intangible assets	-	-
Investment property carried at cost	-	-
Total Depreciation and Amortisation	9 264 670	311 257

19 FINANCE COSTS

Borrowings	76 461	-
Bank overdrafts	2 310	6 402
Finance lease charges	224 871	122 681
Other finance costs	2 415 399	-
Total Finance Costs	2 719 041	129 083

20 BULK PURCHASES

Electricity purchases	10 106 276	10 876 254
Water purchases	5 896 502	2 145 539
Total Bulk Purchases	16 002 778	13 021 792

21 GRANTS AND SUBSIDIES PAID

Grants and subsidies in aid	-	-
	-	-

22 GENERAL EXPENSES

Included in general expenses are the following:-

Admin fees	3 884 412	541 621
Advertising	151 534	42 745
Audit fees	3 896 860	464 246
Bank charges	71 959	56 780
Consulting fees	217 252	394 327
Departmental consumption	1 979 573	59 396
Entertainment	99 236	104 196
Fuel and oil	343 544	336 959
Impairment of Inventory	984 459	-
Insurance	586 367	649 233
Legal expenses	2 065 969	164 418
Licence fees	14 728	15 762
Membership fees	320	-
Other expenditure	368 031	1 551 504
Postage	12 605	3 353
Printing and stationery	662 725	221 469
Professional fees	1 479 965	327 368
Rental of equipment	29 958	(171 809)
Skills development levy	49 621	76 168
Special community programmes	585 350	870 480
Telephone cost	629 371	341 267
Training	189 041	269 995
Travel and subsistence	176 774	-
Uniforms and overalls	134 858	183 159
Valuation expenses	698 500	-
	19 313 013	6 502 634

23 CASH GENERATED BY OPERATIONS

Surplus/(deficit) for the year	(12 103 105)	137 117 201
Adjustment for:-		
(Gain) / loss on sale of assets	(5 428)	2 502 035
Depreciation and amortisation	9 264 670	311 257
Fair value adjustments	-	(125 965 899)
Cash items		
Finance costs	2 719 041	129 083
Finance Income	(8 040)	(17 393)
Operating surplus before working capital changes:	(132 862)	14 076 283
(Increase)/decrease in inventories	984 459	1 013 934
(Increase)/decrease in trade receivables	17 129 678	(18 348 055)
(Increase)/decrease in other receivables	(5 538 713)	(10 244 244)
Increase/(decrease) in trade payables	6 196 820	52 416 489
Increase/(decrease) in consumer deposits	16 673	378 271
Cash generated by/(utilised in) operations	18 656 055	39 292 679

24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	-	-
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	-	-

25 CORRECTION OF ERROR**25.1 CORRECTION 1**

Sanlam Investment has been adjusted after the confirmation by Sanlam that there are investments held with them

Statement of Financial Position

Investments	(3 915)
Accumulated Surplus	3 915
	-

25.2 CORRECTION 2

The Municipality did not recognise the Finance Lease. The municipality has finance lease contracts with ABSA and Gestner

Statement of Financial Position	
Property, Plant & Equipment	1 281 963
Finance Lease Liability	(1 151 949)
Accumulated Depreciation	(485 488)
Statement of Financial Position	
Depreciation	(310 987)
Finance Charges	(532 138)
	(843 125)

25.3 CORRECTION 3

Retention on Capital Project was not accounted for as Current Liability

Statement of Financial Position	
Retention	(496 253)
Work in Progress	496 253
	-

25.4 CORRECTION 4

Investment Property incorrectly classified as normal PPE. GRAP 16 was not complied with.

Statement of Financial Position

Investment Property	1 148 268
	-
	1 148 268

26 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

26.1 Fruitless and wasteful expenditure

Interest on unpaid Accounts

Bigbravo

The company was appointed for the paving of Internal Street but were prevented from completion of the project by the municipality. The company has submitted a claim for the loss of time. The outcome of this was the out of court settlement of R49 189.

49 189

MIIB

The municipality entered into an agreement for the installation of a SAP financial system. However, the Information Technology Infrastructure of the municipality is not able to accommodate this financial system. This results in a fruitless and wasteful expenditure recorded to the value of R451 200.

451 200

T.M. Lerata

The municipality made a payment to the value of R393 000 in respect of an early termination of employment contract.

393 000

Interest

Interest on late payments:

- Bloemwater

- Auditor General South Africa

2 320 607

62 946

2 383 553

27 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

27.1 Contributions to organised local government - SALGA

Opening balance

- -

Council subscriptions

- -

Amount paid - current

- -

Amount paid - previous years

- -

Balance unpaid (included in payables)

- -

27.2 Audit fees

Opening balance

- -

Current year audit fee

- -

Amount paid - current year

- -

Amount paid - previous years

- -

Balance unpaid (included in payables)

- -

27.3 VAT

VAT input receivables and VAT output payables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

27.4 Pension and Medical Aid Deductions

Opening balance

- -

Current year payroll deductions and Council Contributions

- -

Amount paid - current year

- -

Amount paid - previous years

- -

Balance unpaid (included in payables)

- -

28 EVENTS AFTER THE REPORTING DATE

At the date of this report, management was not aware of any event or circumstance, which have come to their attention after the end of the financial year, which may have a material impact on the information contained in these financial statements

29 CAPITAL COMMITMENT

Commitments in respect of capital expenditure
Approved and contracted for:

Roads construction and paving : Dewesdorp	16 367 696
Waterborne sanitation:Dewesdorp	1 625 491
Boreholes:Dewesdorp	699 000
Sports Facility : Van Stad	7 979 126
Houses - Van Stad	3 865 613
Refurbishment and Equiping of Boreholes	135 446
Upgrading of Sewer Treatment Works in Van Stadensrus	5 454 027
Wipener Low Level Bridge & Access Road	5 466 385
	11 055 858
	30 536 926

**NALEDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 2010/06/30	Received during the period	Adjustments	Redeemed written off during the period	Balance 2011/06/30
LONG- TERM LOANS							
Centlec							
Naledi Eletrification			354 804	-	-	(72 035)	282 769
High Mast Lighting			66 556	-	-	(4 437)	62 119
Replacement of Domestic			108 675	-	-	(21 735)	86 940
Upgrading of Low Voltage Network			234 936	-	-	(15 638)	219 298
			764 970	-	-	(113 845)	651 125
LEASES							
Finance Lease - 3 x VOIP Systems			-	-	1 100 857	(375 671)	725 185
Finance Lease - 4 x Gestetner MP161 MF			-	-	125 771	(32 448)	93 323
Finance Lease - 1 x Gestetner MP 2000 SPF			-	-	68 413	(17 650)	50 763
Finance Lease - 1 x Gestetner MP 2000			-	-	51 779	(13 359)	38 420
Finance Lease - 1 x Gestetner MP 1600 SP			-	-	50 580	(13 049)	37 530
Finance Lease - 1 x Gestetner MP 161 LN			-	-	31 443	(8 112)	23 331
Finance Lease - 7 x Gestetner SP 4110 N			-	-	228 130	(58 856)	169 274
Finance Lease - 1 x Gestetner SP 4110 N			-	-	19 033	(4 910)	14 122
			-	-	-	-	-
Total leases			-	-	1 676 004	(524 055)	1 151 949
TOTAL EXTERNAL LOANS			764 970	-	1 676 004	(637 901)	1 803 074

Note on Loans

Note on Loans

NALEDI LOCAL MUNICIPALITY

APPENDIX B ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/Transfers	Disposals	Impairment losses	Closing Balance	
	R	R	R	R	R	R	R	R		R	R
INFRASTRUCTURE	114 208 873	8 986 545	4 513 072	0	127 708 490	10 442 858	5 262 319	0		15 705 177	112 003 313
Roads, pavements, bridges & stormwater	26 528 712	8 986 545	1 762 825		37 278 082	2 659 821	1 386 756	0	0	4 046 577	33 231 504
Water reservoirs & reticulation	15 901 433		1 281 339		17 182 771	1 284 806	642 403			1 927 209	15 255 563
Car parks, bus terminals & taxi ranks					0					0	0
Electricity reticulation	27 836 385				27 836 385	2 072 086	1 036 043			3 108 129	24 728 256
Sewerage purification & reticulation	43 942 343		1 468 909		45 411 252	4 426 145	2 197 117			6 623 262	38 787 990
Housing					0					0	0
Street lighting					0					0	0
Refuse sites					0					0	0
Other (town planning & development)					0					0	0
COMMUNITY ASSETS	13 573 376	0	6 666 658	0	20 240 035	1 354 548	642 340	0		1 996 889	18 243 146
Establishment of parks & gardens	716 572				716 572	0				0	716 572
Sports fields	7 700 562		6 666 658		14 367 220	803 638	385 028			1 188 666	13 178 554
Community halls	1 745 048				1 745 048	193 235	87 252			280 487	1 464 561
Libraries	2 999 468				2 999 468	305 504	149 973			455 478	2 543 990
Recreational facilities					0					0	0
Clinics	401 726				401 726	52 172	20 086			72 258	329 468
Museums & art galleries					0					0	0
Other (fire services & cemeteries)	10 000				10 000	0	0	0	0	0	10 000

OTHER ASSETS	48 193 326	1 412 656	0	0	49 605 982	5 074 685	2 703 467	0	7 778 152	41 827 830	
Other motor vehicles	5 315 252	1 118 049	0	0	6 433 301	2 123 469	1 087 114		3 210 583	3 222 718	
Plant & equipment	186 409				186 409	81 447	29 724		111 172	75 238	
Office equipment	1 416 627	31 722	0	0	1 448 350	643 767	198 040	0	841 808	606 542	
Abattoirs					0				0	0	
Security measures (including fencing)	4 620				4 620	770	385		1 155	3 465	
Civic land & buildings	23 266 222	2 004			23 268 227	1 084 287	482 880		1 567 167	21 701 060	
Other land & buildings	9 117 024				9 117 024				0	9 117 024	
Other (including IT)	8 887 170	260 881	0	0	9 148 051	1 140 944	905 324		2 046 268	7 101 783	
LEASED ASSETS	2 100 877	0	0	0	2 100 877	484 740	583 958	0	0	1 068 698	1 032 179
Office Machinery	2 100 876.90	0			2 100 877	484 740	583 958		1 068 698	1 032 179	
SPECIALISED VEHICLES	362 924	0	0	0	362 924	145 170	72 585	0	217 754	145 170	
Refuse	362 924				362 924	145 170	72 585		217 754	145 170	
Fire					0				0	0	
TOTAL	178 439 376	10 399 201	11 179 730	0	200 018 307	17 502 001	9 264 670	0	0	26 766 671	173 251 637

NALEDI LOCAL MUNICIPALITY

**APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT**

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Impairment losses	Disposals	Closing Balance	
	R	R		R	R	R	R		R	R	
EXECUTIVE COUNCIL	23 266 222.44	2 004.39	-	-	23 268 226.83	1 084 287.13	482 879.95		-	1 567 167.08	21 701 059.75
Executive Council	23 266 222.44	2 004.39			23 268 226.83	1 084 287.13	482 879.95			1 567 167.08	21 701 059.75
FINANCE & ADMINISTRATION	12 591 083.50	292 603.28	-	-	12 883 686.78	2 350 898.10	1 717 046.95		-	4 067 945.05	8 815 741.73
Finance	10 490 206.60	292 603.28			10 782 809.88	1 866 157.99	1 133 088.78			2 999 246.77	7 783 563.11
Information technology											
Human resources											
Property services	2 100 876.90				2 100 876.90	484 740.11	583 958.17			1 068 698.28	1 032 178.62
Other & admin											
PLANNING & DEVELOPMENT											
Planning & development											
ROAD TRANSPORT	32 206 888.43	10 104 593.40	1 762 824.88	-	44 074 306.71	4 928 460.20	2 546 454.76		-	7 474 914.96	36 599 391.75
Vehicle licensing & testing	5 678 176.43	1 118 048.58			6 796 225.01	2 268 639.00	1 159 698.52			3 428 337.52	3 367 887.49
Roads & stormwater	26 528 712.00	8 986 544.82	1 762 824.88		37 278 081.70	2 659 821.20	1 386 756.24			4 046 577.44	33 231 504.26
Roads other											
HEALTH	401 726.21	-	-	-	401 726.21	52 171.70	20 086.32		-	72 258.02	329 468.19
Clinics	401 726.21				401 726.21	52 171.70	20 086.32			72 258.02	329 468.19
Health other											
COMMUNITY & SOCIAL SERVICES	5 471 088.16	-	-	-	5 471 088.16	498 739.02	237 225.81		-	735 964.83	4 735 123.33
Libraries & archives	2 999 467.91				2 999 467.91	305 504.46	149 973.40			455 477.86	2 543 990.05
Community halls & facilities	2 461 620.26				2 461 620.26	193 234.56	87 252.41			280 486.97	2 181 133.29
Cemeteries & crematoriums	10 000.00				10 000.00						10 000.00
PUBLIC SAFETY	4 620.00	-	-	-	4 620.00	770.02	385.01		-	1 155.03	3 464.97
Fire											
Traffic	4 620.00				4 620.00	770.02	385.01			1 155.03	3 464.97

ENVIRONMENTAL PROTECTION	-	-	-	-	-	-	-	-	-	-
Environmental Protection										
SPORT & RECREATION	7 700 561.92	-	6 666 658.27	-	14 367 220.19	803 637.70	385 028.10	-	1 188 665.80	13 178 554.39
Sport & recreation	7 700 561.92		6 666 658.27		14 367 220.19	803 637.70	385 028.10		1 188 665.80	13 178 554.39
WASTE WATER MANAGEMENT	43 942 343.28	-	1 468 908.58	-	45 411 251.86	4 426 144.57	2 197 117.16	-	6 623 261.73	38 787 990.13
Sewerage	43 942 343.28		1 468 908.58		45 411 251.86	4 426 144.57	2 197 117.16		6 623 261.73	38 787 990.13
Public toilets										
WASTE MANAGEMENT	-	-	-	-	-	-	-	-	-	-
Solid waste										
HOUSING	9 117 024.09	-	-	-	9 117 024.09	-	-	-	-	9 117 024.09
Housing	9 117 024.09				9 117 024.09					9 117 024.09
OTHER	-	-	-	-	-	-	-	-	-	-
Other										
WATER	15 901 432.76	-	1 281 338.73	-	17 182 771.49	1 284 805.96	642 402.98	-	1 927 208.94	15 255 562.55
Water distribution	9 284 895.99		1 281 338.73		10 566 234.72	623 152.28	311 576.14		934 728.42	9 631 506.30
Water storage	6 616 536.77				6 616 536.77	661 653.68	330 826.84		992 480.52	5 624 056.25
ELECTRICITY	27 836 385.16	-	-	-	27 836 385.16	2 072 086.10	1 036 043.05	-	3 108 129.15	24 728 256.01
Electricity distribution	27 836 385.16				27 836 385.16	2 072 086.10	1 036 043.05		3 108 129.15	24 728 256.01
Street lighting										
TOTAL	178 439 375.95	10 399 201.07	11 179 730.46		200 018 307.48	17 502 000.50	9 264 670.09	-	26 766 670.59	173 251 636.89

