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

General Information

Legal form of entity	An organ of state within the local sphere of government exercising legislative and executive authority.
Nature of business and principal activities	Provide municipal services and maintain the best interest of the local community, mainly in the Ngwathe Municipal area.
Grading of local authority	Grade 3
Accounting Officer	Mokoena TJ
Chief Finance Officer (CFO)	Mokoena TJ
Registered office	Liebenbergstrek Parys 9585
Business address	Liebenbergstrek Parys 9585
Auditors	The Auditor General of South Africa

Index

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

Index

Abbreviations

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 51, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Accounting Officer

Audit Committee Report

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

Audit committee members and attendance

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

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 38(10)(1) of the PFMA and Treasury Regulation 3.1. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

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

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

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the municipality during the year under review.

Evaluation of annual financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the auditors;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

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

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

____

Chairperson of the Audit Committee

Date: ________________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provide municipal services and maintain the best interest of the local community, mainly in the ngwathe municipal area. and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated surplus of R 575,510,448 and that the municipality's total assets exceed its liabilities by R 575,603,355.

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

3. Subsequent events

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

4. Accounting policies

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

5. Auditors

The Auditor General of South Africa will continue in office for the next financial period.

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

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Other financial assets	4	617,869	573,907
Inventories	6	15,445	835,912
Trade and other receivables from exchange transactions	7	70,005,856	32,449,930
VAT receivable	8	20,111,898	13,600,262
Consumer debtors	9	60,303,750	39,184,558
Other non-current receivables		-	9,848
Cash and cash equivalents	10	3,098,949	2,353,309
		154,153,767	89,007,726
Non-Current Assets			
Property, plant and equipment	3	587,074,580	580,878,678
Other financial assets	4	8,281,557	7,380,077
Long term receivables		41,217	31,369
		595,397,354	588,290,124
Total Assets		749,551,121	677,297,850
Liabilities			
Current Liabilities			
Bank overdraft	10	-	26,084,617
Other financial liabilities	11	-	1,439,913
Finance lease obligation	12	-	778,378
Trade and other payables from exchange transactions	14	81,792,253	73,365,628
Consumer deposits	15	3,563,682	3,491,922
Unspent conditional grants and receipts	13	64,815,049	18,174,723
		150,190,984	123,315,181
Non-Current Liabilities			
Other financial liabilities	11	22,608,159	24,368,246
Finance lease obligation	12	1,148,623	370,245
		23,756,782	24,738,491
Total Liabilities		173,947,766	148,053,672
Net Assets		575,603,355	529,244,178
Net Assets			
Reserves			
Capitalisation reserve		42,886	42,886
Insurance reserve		50,021	33,348
Accumulated surplus		575,510,448	529,167,944
Total Net Assets		575,603,355	529,244,178

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

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	17	54,145,997	48,341,497
Service charges	18	135,580,585	126,747,817
Rental of facilities and equipment		2,309,570	1,030,221
Fines		1,113,207	608,840
Government grants & subsidies	19	126,766,056	159,074,015
Other income	20	4,025,746	3,750,439
Interest received - investment	26	13,233,021	14,013,433
Total Revenue		**337,174,182**	**353,566,462**
Expenditure			
Personnel	23	(109,088,679)	(93,833,504)
Remuneration of councillors	24	(8,313,709)	(7,763,881)
Depreciation and amortisation	27	-	(30,867,988)
Finance costs	28	(322,857)	(3,336,907)
Debt impairment	25	(18,959,264)	(132,659,767)
Collection costs		(793,125)	(449,964)
Repairs and maintenance		(17,101,544)	(15,042,896)
Bulk purchases	32	(90,254,355)	(34,112,882)
Contracted services	31	(3,798,298)	(4,337,266)
General Expenses	21	(45,695,478)	(73,256,534)
Total Expenditure		**(294,327,307)**	**(395,661,349)**
Surplus (deficit) for the year		**42,846,875**	**(42,094,887)**

Ngwathe Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Capitalisation reserve	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2009	**42,886**	**16,674**	**59,560**	**571,262,831**	**571,322,391**
Changes in net assets					
Other reserves	-	16,674	16,674	-	16,674
Net income (losses) recognised directly in net assets	-	16,674	16,674	-	16,674
Surplus for the year	-	-	-	(42,094,887)	(42,094,887)
Total recognised income and expenses for the year	-	16,674	16,674	(42,094,887)	(42,078,213)
Total changes	-	16,674	16,674	(42,094,887)	(42,078,213)
Balance at 01 July 2010	**42,886**	**33,348**	**76,234**	**532,663,573**	**532,739,807**
Changes in net assets					
Other reserves	-	16,673	16,673	-	16,673
Net income (losses) recognised directly in net assets	-	16,673	16,673	-	16,673
Surplus for the year	-	-	-	42,846,875	42,846,875
Total recognised income and expenses for the year	-	16,673	16,673	42,846,875	42,863,548
Total changes	-	16,673	16,673	42,846,875	42,883,548
Balance at 30 June 2011	**42,886**	**50,021**	**92,907**	**575,510,448**	**575,603,355**

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		138,499,977	92,975,274
Grants		126,766,056	159,074,015
Interest income		13,233,021	14,013,433
		278,499,054	266,062,722
Payments			
Employee costs		(117,402,388)	(101,597,358)
Suppliers		(123,622,208)	(123,141,674)
Finance costs		(1,270)	(3,336,907)
Other payments		-	(3,820,249)
		(241,025,866)	(231,896,188)
Net cash flows from operating activities	33	**37,473,188**	**34,166,534**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(8,563,908)	(58,380,598)
Proceeds from sale of property, plant and equipment	3	2,368,006	-
Proceeds from sale of financial assets		(945,442)	(1,041,743)
Net cash flows from investing activities		**(7,141,344)**	**(59,422,340)**
Cash flows from financing activities			
Repayment of other financial liabilities		(3,200,000)	1,130,809
Finance lease payments		(321,587)	(689,634)
Net cash flows from financing activities		**(3,521,587)**	**441,175**
Net increase/(decrease) in cash and cash equivalents		**26,810,257**	**(24,814,631)**
Cash and cash equivalents at the beginning of the year		(23,711,308)	1,103,323
Cash and cash equivalents at the end of the year	10	**3,098,949**	**(23,711,308)**

Accounting Policies

1. Presentation of annual financial statements

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

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

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables / Trade and other receivables

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

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

Allowance for slow moving, damaged and obsolete inventory

An allowance for inventory to write inventory down to the lower of cost or net realisable value (or current replacement cost). Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

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

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying values of trade receivables and payables are assumed to approximate their fair values.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value-in-use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipality.

Post retirement benefits

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

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

Effective interest rate

The municipality used the prime interest rate rate to discount future cash flows.

Allowance for doubtful debts

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

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services;
- administrative purposes; or
- sale in the ordinary course of operations.

Investment property is recognised when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially measured at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

1.2 Investment property (continued)

Costs include costs incurred initially to acquire the investment property and costs incurred subsequently to add to, or to replace a part of, or service the investment property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in surplus or deficit for the period in which it arises.

Cost model

Subsequent to initial measurement investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

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

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

Property, plant and equipment is initially measured 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 management. Trade discounts and rebates are deducted in arriving at the cost.

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or 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 non-monetary asset's fair value is not determinable, it's deemed cost is the carrying amount of the asset given up.

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

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

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

Subsequent to initial measurement property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Such difference in recognised in surplus or deficit when the item is derecognised.

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

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised 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.

Intangible assets are initially measured at cost.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

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

1.4 Intangible assets (continued)

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their expected useful lives to their estimated residual value, if any.

The amortisation period, residual value, if any, and the amortisation method for intangible assets are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.5 Heritage assets

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

Recognition

A heritage asset is recognised when, it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are initially measured at cost.

Where a heritage asset is acquired at no cost or for a nominal cost, or through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Subsequent measurement

Subsequent to initial measurement heritage assets are carried at cost less any accumulated impairment losses.

Subsequent to initial measurement heritage assets, whose fair value can be measured reliably, are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Accounting Policies

1.5 Heritage assets (continued)

Derecognition

Heritage assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.6 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement

The entity measures a financial asset and financial liability at amortised cost initially at its fair value, plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

When the entity enters into a concessionary loan agreement, it first assesses whether the substance of the concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- a combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. The instrument is then reclassified from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

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

Accounting Policies

1.6 Financial instruments (continued)

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.6 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.7 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 - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

Any contingent rent is recognised separately as revenue when received or receivable and are not straight-lined over the lease term.

1.7 Leases (continued)

Operating leases - lessee

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

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

Any contingent rent is recognised separately as an expense when paid or payable and are not straight-lined over the lease term.

1.8 Inventories

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

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.9 Impairment of cash-generating assets

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

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Identification

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

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

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

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Recognition and measurement (cash-generating unit)

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

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

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

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

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

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

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

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

1.9 Impairment of cash-generating assets (continued)

Reversal of an impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.10 Impairment of non-cash-generating assets

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

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

Identification

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

1.10 Impairment of non-cash-generating assets (continued)

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.11 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

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

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

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

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

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

1.12 Provisions and contingencies

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

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

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

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

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

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

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

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

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

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

1.13 Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Measurement

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

1.13 Revenue from exchange transactions (continued)

Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

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

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

1.14 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

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

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

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

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

Gifts and donations, including goods and services in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind are not recognised.

1.15 Conditional grants and receipts

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

Accounting Policies

1.16 Investment income

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

1.17 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure incurred in contravention of, or that is not in accordance with:

- a requirement of the MFMA (Act No. 56 of 2003), and which has not been condoned in terms of section 170; or
- a requirement of the Municipal System Act (Act No.32 of 2000), and which has not been condoned in terms of this Act; or
- a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- a requirement of the supply chain management policy of the municipality or any of the municipality's by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law.

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.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.22 Use of estimates

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

1.23 Presentation of currency

These annual financial statements are presented in South African Rand.

1.24 Offsetting

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

1.25 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

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

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

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

The impact of this standard is currently being assessed.

GRAP 23: Revenue from Non-exchange Transactions

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

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

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

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

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

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

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

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

GRAP 103: Heritage Assets

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

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

GRAP 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

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

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

The impact of this standard is currently being assessed.

GRAP 21: Impairment of Non-cash-generating Assets

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

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

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

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

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

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

GRAP 26: Impairment of Cash-generating Assets

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

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

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

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

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

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

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits.

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

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

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

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

GRAP 104: Financial Instruments

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

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

IGRAPs

The following intepretations to GRAP have been issued:
- iGRAP 2-10 and 13-15.

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

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

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

GRAP 105: Transfer of Functions Between Entities Under Common Control

Establishes accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

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

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

The impact of this standard is currently being assessed.

GRAP 106: Transfer of Functions Between Entities Not Under Common Control

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

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

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

The impact of this standard is currently being assessed.

GRAP 107: Mergers

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

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

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

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of the standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

Notes to the Annual Financial Statements

2. New standards and Interpretations (continued)

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

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

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

Improvements to the Standards of GRAP

Improvements to the following standards of GRAP were made as part of the ASB's improvement project:
- GRAP 1-4, 9-14, 16-17, 19 and 100.

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

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

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

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	11,764,320	-	11,764,320	11,764,320	-	11,764,320
Buildings	28,430,436	(858,790)	27,571,646	28,454,936	(858,790)	27,596,146
Infrastructure	504,058,081	(25,501,113)	478,556,968	498,207,556	(25,501,113)	472,706,443
Community	40,081,851	(1,825,241)	38,256,610	40,081,851	(1,825,241)	38,256,610
Other property, plant and equipment	36,419,816	(5,494,780)	30,925,036	33,706,433	(5,494,780)	28,211,653
Other leased Assets	-	-	-	2,343,506	-	2,343,506
Total	**620,754,504**	**(33,679,924)**	**587,074,580**	**614,558,602**	**(33,679,924)**	**580,878,678**

Reconciliation of property, plant and equipment - 2011

	Opening balance	**Additions**	**Disposals**	**Total**
Land	11,764,320	-	-	11,764,320
Buildings	27,596,146	-	(24,500)	27,571,646
Infrastructure	472,706,443	5,850,525	-	478,556,968
Community	38,256,610	-	-	38,256,610
Other property, plant and equipment	28,211,653	2,713,383	-	30,925,036
Other leased Assets	2,343,506	-	(2,343,506)	-
	580,878,678	**8,563,908**	**(2,368,006)**	**587,074,580**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land	11,764,320	-	-	11,764,320
Buildings	28,454,936	-	(858,790)	27,596,146
Infrastructure	439,623,708	56,768,319	(23,685,584)	472,706,443
Community	39,407,930	190,500	(1,341,820)	38,256,610
Other property, plant and equipment	31,771,668	1,421,779	(4,981,794)	28,211,653
Other leased Assets	2,343,506	-	-	2,343,506
	553,366,068	**58,380,598**	**(30,867,988)**	**580,878,678**

Pledged as security

No assets were pledged as security:

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

4. Other financial assets

	2011	2010
Available-for-sale		
Listed shares	152,751	152,751
Sanlam shares		
Unlisted shares	465,118	421,156
Momentum Policy		
	617,869	**573,907**
Held to maturity		
Other financial assets	8,281,557	7,380,077
Total other financial assets	**8,899,426**	**7,953,984**
Non-current assets		
Held to maturity	8,281,557	7,380,077
Current assets		
Available-for-sale	617,869	573,907
	8,899,426	**7,953,984**

Fair value information

Available-for-sale financial assets are recognised at fair value, unless they are unlisted equity instruments and the fair value cannot be determined using other means, in which case they are measured at cost. Fair value information is not provided for these financial assets.

Fair value hierarchy of available-for-sale financial assets

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Other financial assets (continued)

Fair values of loans and receivables

Credit quality of other financial assets

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

For debt securities classified as at fair value through surplus or deficit, the maximum exposure to credit risk at the reporting date is the carrying amount.

5. Financial assets by category

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

2011

	Loans and receivables	Total
Consumer recevables	60,303,750	60,303,750
Other financial assets	617,869	617,869
Trade and other receivables	70,005,856	70,005,856
Cash and cash equivalents	3,098,949	3,098,949
	134,026,424	134,026,424

2010

	Loans and receivables	Total
Consumer receivables	39,184,558	39,184,558
Other financial assets	573,907	573,907
Trade and other receivables	32,449,930	32,449,930
Other receivables from non-exchange transactions	9,848	9,848
Cash and cash equivalents	2,353,309	2,353,309
	74,571,552	74,571,552

6. Inventories

	2011	2010
Stores, materials and fuels	15,445	835,912

7. Trade and other receivables from exchange transactions

	2011	2010
Sundry debtors	61,456,013	28,648,234
Salary debtors	8,549,843	3,801,696
	70,005,856	32,449,930

Credit quality of trade and other receivables

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

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

8. VAT receivable

	2011	2010
VAT	20,111,898	13,600,262

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Consumer debtors		
Gross balances		
Rates	63,657,500	49,687,481
Electricity	35,458,972	30,579,627
Water	56,034,444	55,326,443
Sewerage	35,195,570	28,014,973
Refuse	31,154,394	26,621,844
Other (specify)	16,423,231	26,576,487
	237,924,111	**216,806,855**
Less: Provision for debt impairment		
Rates	(139,380,012)	(42,251,374)
Electricity	(14,362,584)	(26,001,963)
Water	(23,877,765)	(47,044,267)
Sewerage	-	(23,821,229)
Refuse	-	(22,636,647)
Other	-	(15,866,817)
	(177,620,361)	**(177,622,297)**
Net balance		
Rates	(75,722,512)	7,436,107
Electricity	21,096,388	4,577,664
Water	32,156,679	8,282,176
Sewerage	35,195,570	4,193,744
Refuse	31,154,394	3,985,197
Other (specify)	16,423,231	10,709,670
	60,303,750	**39,184,558**
Rates		
Current (0 -30 days)	(75,722,512)	724,028
31 - 60 days	-	270,298
61 - 90 days	-	222,701
91 - 120 days	-	6,219,080
	(75,722,512)	**7,436,107**
Electricity		
Current (0 -30 days)	21,096,388	608,907
31 - 60 days	-	412,981
61 - 90 days	-	185,776
91 - 120 days	-	3,370,000
	21,096,388	**4,577,664**
Water		
Current (0 -30 days)	32,156,679	425,467
31 - 60 days	-	341,884
61 - 90 days	-	320,442
91 - 120 days	-	7,194,383
	32,156,679	**8,282,176**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Consumer debtors (continued)		
Sewerage		
Current (0 -30 days)	35,195,570	327,454
31 - 60 days	-	214,888
61 - 90 days	-	198,588
91 - 120 days	-	3,452,834
	35,195,570	**4,193,744**
Refuse		
Current (0 -30 days)	31,154,394	224,234
31 - 60 days	-	171,691
61 - 90 days	-	159,618
91 - 120 days	-	3,429,654
	31,154,394	**3,985,197**
Sundry receivables		
Current (0 -30 days)	16,423,231	852,662
31 - 60 days	-	439,370
61 - 90 days	-	377,828
91 - 120 days	-	9,039,810
	16,423,231	**10,709,670**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(177,620,361)	(45,275,422)
Contributions to provision	-	(132,346,875)
	(177,620,361)	**(177,622,297)**

Credit quality of consumer debtors

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

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2011	2010
Cash on hand	14,603	10,603
Bank balances	2,480,957	-
Other cash and cash equivalents	603,389	2,342,706
Bank overdraft	-	(26,064,617)
	3,098,949	**(23,711,308)**
Current assets	3,098,949	2,353,309
Current liabilities	-	(26,064,617)
	3,098,949	**(23,711,308)**

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

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

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2011	Bank statement balances 30 June 2010	Bank statement balances 30 June 2009	Cash book balances 30 June 2011	Cash book balances 30 June 2010	Cash book balances 30 June 2009
ABSA - 4052707733	-	-	-	2,480,957	(26,064,617)	1,095,336
ABSA - 130000041	-	-	-	603,389	2,342,706	-
Total	**-**	**-**	**-**	**3,084,346**	**(23,721,911)**	**1,095,336**

11. Other financial liabilities

	2011	2010
Held at amortised cost		
Government loans - other	-	1,439,913
Government loans	9,597,094	16,357,181
Other borrowings	7,986,595	7,986,595
COGTA	5,000,000	-
Annuity loans	24,470	24,470
	22,608,159	**25,808,159**
Non-current liabilities		
At amortised cost	22,608,159	24,368,246
Current liabilities		
At amortised cost	-	1,439,913
	22,608,159	**25,808,159**

Other financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

12. Finance lease obligation

	2011	2010
Minimum lease payments due		
- within one year	-	936,078
- in second to fifth year inclusive	-	1,056,767
	-	1,992,845
less: future finance charges	-	(264,276)
Present value of minimum lease payments	**-**	**1,728,569**
Present value of minimum lease payments due		
- within one year	-	370,245
- in second to fifth year inclusive	-	778,378
	-	**1,148,623**
Non-current liabilities	1,148,623	370,245
Current liabilities	-	778,378
	1,148,623	**1,148,623**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Mineral and Energy	9,484,430	2,484,430
Sundry grants	9,859,866	7,937,191
MIG grant	32,459,751	4,340,751
MSIG grant	1,000,000	-
National Government 5	367,000	367,000
National Government 6	588,128	304,236
Department of Water Affairs	5,678,831	225,913
Financial management grant	1,000,000	-
LGSETA grant	946,007	774,166
Local Government	340,000	340,000
DPLG	3,003,317	1,313,317
Other grants	87,719	87,719
	64,815,049	**18,174,723**

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

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

These amounts are invested in a ring-fenced investment until utilised.

14. Trade and other payables from exchange transactions

Trade payables	28,981,356	17,718,488
Sundry creditors	21,193,735	18,975,375
Accrued leave pay	6,490,173	6,490,173
Accrued expense	204,815	204,815
Deposits received	398,798	392,023
Other creditors	7,100,517	4,639,761
Salary suspense account	17,171,614	11,741,194
Debtors loan	4,424	4,174
Andit fees	-	(73,684)
Debtors with credit balances	-	10,146,719
Sundry receivables	246,821	134,302
Performance bonus	-	2,992,288
	81,792,253	**73,365,628**

15. Consumer deposits

Electricity and water	3,583,682	3,491,922

No provision is made for interest payable to consumers on deposits.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

16. Financial liabilities by category

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

2011

	Financial liabilities at amortised cost	Total
Other financial liabilities	22,608,159	22,608,159
Trade and other payables	81,792,253	81,792,253
Consumer deposits	3,583,682	3,583,682
Unspent conditional grants and receipts	64,815,049	64,815,049
Finance lease obligation	1,148,623	1,148,623
	173,947,766	**173,947,766**

2010

	Financial liabilities at amortised cost	Total
Other financial liabilities	25,808,159	25,808,159
Trade and other payables	81,792,253	81,792,253
Bank overdraft	26,064,617	26,064,617
Consumer deposits	3,491,922	3,491,922
Unspent conditional grants and receipts	18,174,723	18,174,723
Finace lease obligation	1,148,623	1,148,623
	156,480,297	**156,480,297**

17. Property rates

Rates received

	2011	2010
Property rates	65,151,660	54,832,745
Less: Income forgone	(11,005,663)	(6,491,248)
	54,145,997	**48,341,497**

18. Service charges

	2011	2010
Sale of electricity	81,422,990	70,600,513
Sale of water	22,503,108	31,856,752
Sewerage and sanitation charges	24,419,250	22,539,928
Refuse removal	21,606,959	20,340,201
Customers' incentives	(14,371,722)	(18,589,477)
	135,580,585	**126,747,917**

Figures in Rand	2011	2010

19. Government grants and subsidies

	2011	2010
Equitable share	126,766,056	101,674,041
Financial Management Grant	-	750,000
Mvula Trust subsidy	-	150,000
Provincial Government Grant - other	-	5,000
Department of Mineral and Energy	-	3,885,570
Municipal Systems Improvement Grant	-	1,300,000
LGSETA Grant	-	336,000
Fezile Dabi District Municipality	-	518,654
Municipal Infrastructure Grant	-	39,858,250
Department of Housing	-	6,416,683
Department of Water and Forestry	-	4,177,817
	126,766,056	**159,074,015**

Equitable Share

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

Department of Mineral and Energy

	2011	2010
Balance unspent at beginning of year	2,484,430	-
Current-year receipts	7,000,000	6,370,000
Conditions met - transferred to revenue	-	(3,885,570)
	9,484,430	**2,484,430**

Conditions still to be met - remain liabilities (see note 13).

Sundry Grants

	2011	2010
Balance unspent at beginning of year	7,937,191	-
Current-year receipts	1,922,675	7,937,191
	9,859,866	**7,937,191**

Conditions still to be met - remain liabilities (see note 13).

Municipal Infrastructure Grant

	2011	2010
Balance unspent at beginning of year	4,340,751	-
Current-year receipts	28,119,000	44,199,000
Conditions met - transferred to revenue	-	(39,858,249)
	32,459,751	**4,340,751**

Conditions still to be met - remain liabilities (see note 13).

Municipal Systems Improvement Grant

	2011	2010
Current-year receipts	1,000,000	-

Conditions still to be met - remain liabilities (see note 13).

National Government 5

	2011	2010
Balance unspent at beginning of year	367,000	367,000

Conditions still to be met - remain liabilities (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

19. Government grants and subsidies (continued)

National Government 6

Balance unspent at beginning of year	304,236	304,236
Current-year receipts	283,892	-
	588,128	**304,236**

Conditions still to be met - remain liabilities (see note 13).

Department of Water Affairs

Balance unspent at beginning of year	225,913	114,978
Current-year receipts	5,452,918	4,288,752
Conditions met - transferred to revenue	-	(4,177,817)
	5,678,831	**225,913**

Conditions still to be met - remain liabilities (see note 13).

Financial Management Grant

Current-year receipts	1,000,000	-

Conditions still to be met - remain liabilities (see note 13).

LGSETA Grant

Balance unspent at beginning of year	774,166	-
Current-year receipts	171,841	436,166
Conditions met - transferred to revenue	-	338,000
	946,007	**774,166**

Conditions still to be met - remain liabilities (see note 13).

Local Government

Balance unspent at beginning of year	340,000	340,000

Conditions still to be met - remain liabilities (see note 13).

Department of Housing

Balance unspent at beginning of year	1,313,317	65,159
Current-year receipts	1,690,000	5,480,000
Conditions met - transferred to revenue	-	(4,231,842)
	3,003,317	**1,313,317**

Conditions still to be met - remain liabilities (see note 13).

Other Grants

Balance unspent at beginning of year	87,719	87,719

Conditions still to be met - remain liabilities (see note 13).

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

20. Other Income

Auction fees	76,557	56,478
Administration fees	7,288	416
Building plans and inspections	101,740	67,065
Grave plots	663,030	732,128
Clearance certificates	67,896	72,608
Reconnection / connection fees	464,188	381,242
Sundry income	2,616,577	1,628,996
Pre-paid electricity cards	28,091	811,506
Lost books	179	-
Fire brigade fees	200	-
	4,025,746	**3,750,439**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. General expenses

Accommodation cost	495,884	567,577
Advertising	416,800	576,488
Annual report	46,899	449,176
Arts and culture markets	(5,951)	14,000
Auditors remuneration	1,380,707	2,868,882
Bank charges	709,173	995,152
Chemicals	2,173,723	2,812,008
Cleaning	819,731	728,528
Communication strategy	9,973	43,860
Community development and training	3,559,076	1,454,552
Community support programme	(10,411)	170,975
Consulting and professional fees	1,792,376	4,972,862
Delivery expenses	1,214,016	-
Departmental expenses	2,223,518	2,578,076
Donations - SPCA	7,410	31,330
Donations and bursaries	1,216,941	228,327
Electricity ring fencing	-	94,616
Employee wellness	35,879	28,285
Entertainment	459,671	1,282,434
Fleet Management	1,147,389	183,502
Fuel and oil	2,194,758	3,907,587
Grant expenditure	-	16,388,822
Grave digging	-	1,100
Indigent subsidies	13,753,327	14,096,417
Indigent verifications	-	53,068
Insurance	175,439	136,427
Legal fees	1,220,970	902,047
Levies	(28,072)	28,072
Levies and membership fees	8,740	29,564
Licenses	210,190	253,212
Local economic development	(387,494)	670,300
Magazines, books and periodicals	-	18,390
Marketing	334,371	508,980
Organisational development	323,156	390,509
Other expenses	2,362,392	74,498
Outsourcing of functions	-	242,482
Paper burials	96,962	147,107
Performance management system	-	(433,094)
Postage and courier	1,257,963	1,174,650
Poverty alleviation	(60,478)	1,500,039
Printing and stationery	1,475,982	1,449,399
Projects - Mayor	(83,260)	426,908
Projects- Wards	(27,421)	2,258,541
Protective clothing	(47,820)	996,777
Rent - plant and vehicles	2,736,321	2,826,389
Revision of IDP	73,304	(63,435)
Software expenses	306,842	-
Subsistence, travelling and accommodation	1,057,976	1,456,113
Telephone and fax	132,427	670,234
Training	808,711	882,460
Transport and freight	40,350	1,069,415
Valuation roll expenses	249,465	790,684
Youth development	(182,427)	322,442
	45,695,478	73,256,534

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

22. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Depreciation on property, plant and equipment	-	30,867,988
Employee costs	117,402,388	101,597,365
Research and development	(83,260)	426,908

23. Employee related costs

Basic	71,016,894	60,149,674
Bonus	5,768,573	4,530,357
Medical aid - company contributions	4,810,857	3,736,153
UIF	703,833	612,880
Other payroll levies	1,376,874	1,105,644
Leave pay provision charge	1,217,924	1,232,521
Post-employment benefits - Pension - Defined contribution plan	12,135,775	9,890,616
Overtime payments	4,346,082	3,910,333
Car allowance	4,499,832	4,412,217
Housing benefits and allowances	257,601	293,626
Other allowances	2,086,041	2,913,672
Relief payment	868,393	1,046,011
	109,088,679	**93,833,504**

Remuneration of municipal manager

Annual Remuneration	-	338,918
Allowances	-	343,570
Contributions to UIF, Medical and Pension Funds	-	1,020
Acting allowance	-	147,023
	-	**830,531**

Remuneration of chief finance officer

Annual Remuneration	-	345,687
Allowances	-	318,187
Contributions to UIF, Medical and Pension Funds	-	1,149
Acting allowance	-	35,010
	-	**700,033**

Remuneration of Director: Technical Services

Annual Remuneration	-	487,500
Allowances	-	162,401
Contributions to UIF, Medical and Pension Funds	-	1,534
	-	**651,435**

Remuneration of Director: Corporate Services

Annual Remuneration	-	341,492
Allowances	-	148,060
Performance Bonuses	-	47,667
Contributions to UIF, Medical and Pension Funds	-	85,632
	-	**622,851**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

23. Employee related costs (continued)

Remuneration of Director: Community Services

Annual Remuneration	-	466,028
Allowances	-	166,844
Contributions to UIF, Medical and Pension Funds	-	1,479
	-	634,351

Remuneration of Councillors

Executive Major	-	417,651
Mayoral Committee Members	-	1,016,172
Speaker	-	280,095
Councillors	-	6,049,943
	-	7,763,861

24. Remuneration of councillors

Executive Major	1,065,184	929,845
Mayoral Committee Members	1,121,262	1,016,172
Speaker	299,742	280,095
Councillors	5,827,521	5,537,749
	8,313,709	7,763,861

25. Debt Impairment

Debt impairment	18,959,264	132,659,767

26. Investment revenue

Interest revenue		
Other financial assets	(212,677)	1,058,545
Interest charged on trade and other receivables	13,445,698	12,954,888
	13,233,021	14,013,433

27. Depreciation and amortisation

Property, plant and equipment	-	30,867,988

28. Finance costs

Non-current borrowings	-	2,752,756
Finance leases	321,587	-
Bank	1,270	584,151
	322,857	3,336,907

29. Auditors' remuneration

Fees	1,380,707	2,868,682

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

30. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	2,123,440	916,382
Sundry rentals	186,130	113,839
	2,309,570	**1,030,221**

31. Contracted services

Operating Leases	2,274,509	1,997,971
Other Contractors	1,523,787	2,339,295
	3,798,296	**4,337,266**

32. Bulk purchases

Electricity	82,735,987	27,140,034
Water	7,518,368	6,972,628
	90,254,355	**34,112,662**

33. Cash generated from operations

Surplus (deficit)	42,846,875	(42,094,887)
Adjustments for:		
Depreciation and amortisation	-	30,867,988
Finance costs - Finance leases	321,587	-
Debt impairment	18,959,264	132,659,767
Prior period errors	3,512,288	(6,866,795)
Changes in working capital:		
Inventories	820,467	(17,743)
Trade and other receivables from exchange transactions	(37,555,926)	(4,814,871)
Consumer debtors	(40,078,456)	(67,175,580)
Trade and other payables from exchange transactions	8,426,625	(31,695,158)
VAT	(6,511,622)	8,967,499
Unspent conditional grants and receipts	46,640,326	14,236,860
Consumer deposits	91,760	99,454
	37,473,188	**34,166,534**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

34. Related parties

Relationships

Entity owned by Councillor, Mr. G Mandelstam	Du Toit & Mandelstam
Entity owned by Councillor, Mr. EC Sothoane	EC Sothoane funeral services
Entity owned by Parys Regional Manager, Mr. L Marumo	Batho Pele Funeral Parlour

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

	2011	2010
EC Sothoane Funeral Services	-	(1,950)

Related party transactions

Transactions:

	2011	2010
Du Toit & Mandelstam	-	9,042
EC Sothoane Funeral Services	-	7,380
Batho Pele Funeral Parlour	-	2,000

Capital infrastructure and legal fees in respect of fruitless and wasteful expenditure were rendered by Du Toit & Mandelstam.

Funeral services were rendered by EC Sothoane Funeral Services.

Funeral services were rendered by Batho Pele Funeral Parlour.

35. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

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

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

36. Going concern

We draw attention to the fact that at 30 June 2011, the municipality had accumulated surplus of R 575,510,448 and that the municipality's total liabilities exceed its assets by R 575,603,355.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

36. Going concern (continued)

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

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

37. Fruitless and wasteful expenditure

	2011	2010
Eskom	-	3,022,397
Rand Water	-	10,461
Data M	-	4,953
Pension Fund	-	16,523
SARS	-	1,041,420
Legal costs	-	321,964
Long-term loan penalties	-	15,047
	-	**4,432,765**

The above expenditure have been identified as fruitless and wasteful expenditure due to interest on overdue accounts.

38. Irregular expenditure

	2011	2010
Opening balance	2,465,372	1,144,912
Add: Irregular Expenditure - current year	-	1,320,460
	2,465,372	**2,465,372**

Analysis of expenditure awaiting condonation per age classification

	2011	2010
Current year	-	1,320,460
Prior years	2,465,372	1,144,912
	2,465,372	**2,465,372**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
A detailed register of irregular expenditure is available for inspection.	Irregular expenditure will be submitted to council for consideration of condonement.	2,465,372