F3/1/A

Ngwathe Local Municipality ok
Annual Financial Statements
for the year ended 30 June 2010 ok

CAST AND TRANSFERRED

DONE BY: AS

DATE: 15 November 2010

The Office of the Auditor-General: Free State Registered Auditors
Issued 31 August 2010

TICK LEGEND

^ - cast
c/c - cross cast
P/Y - agreed to prior year F/S
OK - information correct
(R) - recalculated
T -

F3/2/A

Ngwathe Local Municipality

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2010

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.

Mayoral committee

Mayor — MP Moshodi

Councillors —
G Nketu N.
ME Magashule
TJ Vandisi N.
AM Olifant
GP Mandelstam
M Serathi
NMN Khumalo
HS Hlatswayo N.
DS Lehman
ML Sephiri
TN Makhobotloane
SM Vermaak
PP van der Merwe
RA Majoe
M Schoonwinkel N.
SLS Sekete
AC Nteo N.
B Sothoane N.
P Ndayi N.
MN Phathi
DB Nel
AJ Rantsieng N.
PL Moeketsi
LD Jaers
EC Sothoane
J de Jager N.
L Mvulane
NP Mopeli
ME Direko N.
M Mbele
S Choni
AL Kgotlagomang
NA Ndlovu N.
D Hansa
NJ Hlungu
M Maine
SH Marumo

Grading of local authority — Grade 3

Chief Finance Officer (CFO) — N Molikoe (Acting CFO)

Accounting Officer — NN Selai (Acting Municipal Manager)

√ – Agreed to list of councillors
N. – The initials of these persons do not agree with the list of councillors

F3/3/1

General Information

Registered office	Liebenbergstrek, Parys
Business address	Liebenbergstrek, Parys
Postal address	PO Box 359 Parys 9585
Auditors	The Office of the Auditor-General: Free State Registered Auditors

F3/41

Ngwathe Local Municipality

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2010

Index

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

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)

F3/5/1

Accounting Officer's Responsibilities and Approval

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

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

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

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the 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 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the Ngwathe Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the Ngwathe Local municipality 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 6. 7

7 to 39

The annual financial statements set out on pages 6 to 39, which have been prepared on the going concern basis, were approved by the Accounting officer on 31 August 2010 and were signed on its behalf by:

____

Accounting Officer

F3/6/A

F3/7/A

Ngwathe Local Municipality

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Inventories	5 K1.1	835,912	818,169
Investments	3	573,907	489,699
SARS - VAT Receivable Does not transfer (Note: Current tax receivable)	12 V1.1	13,598,344	22,567,780
Trade and other receivables from exchange transactions	6 L2.1	32,449,930	27,635,060
Consumer receivables from exchange transactions Does not transfer (Note: Consumer debtors)	7 L1.1	39,186,493	104,669,903
Other non-current receivables	4	9,848	9,848
Cash and cash equivalents	8 O1.1	2,353,309	1,103,323
		89,007,743	**157,293,782**
Non-Current Assets			
Property, plant and equipment	2 G1.1	580,878,678	553,366,069
Investments	3	7,380,077	6,422,542
Long-term Loans	4	31,369	31,369
		588,290,124	**559,819,980**
Total Assets		**677,297,867**	**717,113,762**
Liabilities			
Current Liabilities			
current portion of Non-current borrowings	9	1,439,913	1,996,827
Finance lease obligation	10	[redacted]	569,573
Trade and other payables from exchange transactions	V1.1	73,365,629	105,060,786
Consumer deposits	13 V2.1	3,491,922	3,392,468
Unspent conditional grants and receipts	11 Q1.1	18,174,724	3,937,863
Bank overdraft	8 O1.1	26,064,617	-
		123,315,183	**114,957,517**
Non-Current Liabilities			
Non-current borrowings Does not transfer (Note: Finance lease obligation)	9	24,368,246	22,680,523
Finance lease obligation	10	[redacted]	1,268,683
		24,738,490	**23,949,206**
Total Liabilities		**148,053,673**	**138,906,723**
Net Assets		**529,244,194**	**578,207,039**
Net Assets			
Reserves			
Capitalisation reserve	P1.1	42,886	42,886
Insurance reserve		33,348	16,674
Accumulated surplus		529,167,958	578,147,479
Total Net Assets		**529,244,192**	**578,207,039**

= 25 808 159 Q1.1
= 7 953 984 J1.1
= 41 217 L2.1
= 1 148 622 R1.1

Σ = 59 560

F3/8/A

Ngwathe Local Municipality
(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Performance

Figures in Rand		Note(s)	2010	2009
Revenue				
Property rates		15 XA1.1	48,341,497	33,412,364
Service charges		16	126,747,917	116,399,462
Rental of facilities and equipment			1,030,220	307,904
Fines		XA1.1	608,940	615,101
Government grants & subsidies		17	159,074,015	151,694,679
Other income		18 XA1.1	3,750,438	5,199,559
Interest earned			14,013,433	11,414,774
Total Revenue			**353,566,460**	**319,043,843**
Expenditure				
Personnel Does not transfer (Note - Employee related costs)		20	(93,833,496)	(81,464,124)
Remuneration of councillors		21	(7,763,861)	(7,958,297)
Depreciation and amortisation	XB1.1.5	23	(30,867,988)	(2,811,936)
Finance costs	XB1.1.4	24	(3,336,907)	(4,725,212)
Debt impairment		22	(132,659,767)	(5,633,832)
Collection costs	XB1.1		(449,964)	(742,866)
Repairs and maintenance			(15,042,897)	(10,108,558)
Bulk purchases	XB1.1	27	(34,112,662)	(45,681,554)
Contracted services		26	(4,337,265)	(3,309,111)
General Expenses		19	(73,256,527)	(72,157,181)
Total Expenditure			**(395,661,334)**	**(234,592,671)**
Loss on disposal of assets and liabilities			-	(1,080,624)
(Deficit) surplus for the year			**(42,094,874)**	**83,370,548**

XA1.1
1 030 220 - 1031 050 = 830 @

	AFS	TB	
Repairs + Maintenance	(15 042 897)	(14 347 379) XB1.1.2	
Other expenses F3/35/A	(74 496)	(770 843) XB1.1.5	
	(15 117 393)	(15 118 222)	Difference = 829 @

F3/9/A

Statement of Changes in Net Assets

Figures in Rand	Capitalisation reserve	Other reserves	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	-	451,282,710 PY	451,282,710	(55,066,167)	396,216,543
Adjustments					
Movement for the year	-	78,060,868 PY	78,060,868	-	78,060,868
Change in accounting policy	-	(529,343,578) PY	(529,343,578)	529,343,578 PY	-
Prior year adjustments	-	-	-	475,142 PY	475,142
Balance at 01 July 2008 as restated	**-**	**-**	**-**	**474,752,553** PY	**474,752,553**
Changes in net assets					
Appropriations for the year	-	-	-	20,083,938 PY	20,083,938
Net income (losses) recognised directly in net assets	-	-	-	20,083,938	20,083,938
Surplus for the year	-	-	-	83,370,548	83,370,548
Total recognised income and expenses for the year	-	-	-	103,454,486	103,454,486
Capital Reserve	42,886	-	42,886	(42,886)	-
Other Reserves	-	16,674	16,674	(16,674)	-
Total changes	42,886	16,674	59,560	103,394,926	103,454,486
Balance at 01 July 2009	**42,886**	**16,674**	**59,560**	**578,147,477** *	**578,207,037** *
Changes in net assets					
Appropriations for the year	-	-	-	(6,884,645) P50/1	(6,884,645)
Net income (losses) recognised directly in net assets	-	-	-	(6,884,645)	(6,884,645)
Deficit for the year	-	-	-	(42,094,874)	(42,094,874)
Total recognised income and expenses for the year	-	-	-	(48,979,519)	(48,979,519)
Capital Reserve	-	16,674	16,674	-	16,674
Total changes	-	16,674	16,674	(48,979,519)	(48,962,845)
Balance at 30 June	**42,886**	**33,348**	**76,234**	**529,167,958**	**529,244,192**
Note(s)	P1.1	P1.1			P1.1

Σ = 59 560 : PY

* Does not cast - R2 difference

Σ = 54 591 025

- Do not agree to prior year due to changes made to opening balances: Refer P50

F3/10/A

Ngwathe Local Municipality

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2010

Cash flow statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Sale of goods and services		92,975,274	124,185,849
Grants		159,074,015	80,077,377
Interest income		14,013,433	11,414,774
Other receipts		-	4,349,956
		266,062,722	220,027,956
Payments			
Employee costs		(101,597,358)	(86,949,398)
Suppliers		(123,141,674)	(67,540,609)
Finance costs		(3,820,250)	(4,005,793)
		(228,559,282)	(158,495,800)
Net cash flows from operating activities Does not transfer (Note: Cash generated from operations)	28	**37,503,440**	**61,532,156**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(58,380,597)	(81,397,070) Does not transfer
Proceeds from sale of financial assets		(1,041,743)	1,558,895
Finance costs		(3,336,907)	-
Net cash flows from investing activities		**(62,759,247)**	**(79,838,175)**
Cash flows from financing activities			
Repayment of non-current borrowings		1,130,809	25,971,847
Movement in other non-current liabilities		-	262,544
Finance lease payments		(689,634)	-
Net cash flows from financing activities		**441,175**	**24,939,894** * Does not cast
Net increase/(decrease) in cash and cash equivalents		**(24,814,632)**	C **6,633,875** N4
Cash and cash equivalents at the beginning of the year		1,103,323	A 9,520,260
Cash and cash equivalents at the end of the year	8	**(23,711,309)**	B **1,103,323**

A - B does not agree to C.

N4 * does not cast, therefore this is incorrect.

F3/111

Accounting Policies

1. Presentation of Annual Financial Statements for the year ended 30 June 2010

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, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 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 or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset 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 recognised 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.

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

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.

Transitional provision

The municipality changed its accounting policy for investment property in 2009. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. The municipality has not yet recognised Investment property. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any

F3/12/11

Accounting Policies

1.1 Investment property (continued)

associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

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

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

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, replace 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.

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.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except which carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

F3/13/A

Accounting Policies

1.2 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

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

The residual value, and the 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 when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2009. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 2. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 2.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

F3/14/A

Accounting Policies

1.3 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 recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be 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.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any 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 useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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.

Transitional provision

The municipality changed its accounting policy for intangible assets in 2009. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets.The municipality has not yet recognised Intangible Assets. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),

F3/15/A

Accounting Policies

1.3 Intangible assets (continued)

- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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

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

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

Subsequent measurement

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

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

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

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

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be

Accounting Policies

1.4 Financial instruments (continued)

impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

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

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

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

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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.

Financial instruments designated as at fair value through surplus or deficit

Financial assets that meet either of the following conditions:

- are classified as held for trading; or
- upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Financial instruments designated as available for sale.

Financial instruments designated as available-for-sale

Financial assets that are designated as available-for-sale are not classified as:

Accounting Policies

1.4 Financial instruments (continued)

- Loans and Receivables ;
- Held-to-Maturity Investments; or
- Financial assets at fair value through the Statement of Financial Performance.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

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

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.5 Leases

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

Finance leases - lessee

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.

F3/18/A

Accounting Policies

1.5 Leases (continued)

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

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.

1.6 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 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Transitional provision

The municipality changed its accounting policy for inventories in 2009. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June 2011.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2009 and inventories has accordingly been recognised at provisional amounts, as disclosed in 5.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Inventory, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),

F3/19/A

Accounting Policies

1.6 Inventories (continued)

- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.7 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.

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

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

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipality also test 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 was 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.

Basis for estimates of future cash flows

In measuring value in use the municipality:

F3/20/A

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

1.8 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.

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

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

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

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

F3/21/A

Accounting Policies

1.9 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 municipality'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 is recognised when the municipality is demonstrably committed to curtailment or settlement.

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing

F3/22/A

Accounting Policies

1.9 Employee benefits (continued)

subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.10 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 deficits.

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 an entity:

- 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

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

F3/23/A

Accounting Policies

1.10 Provisions and contingencies (continued)

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

1.11 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.12 Revenue from non-exchange transactions

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

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

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.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and

F3/24/A

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

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

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

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

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

1.13 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.14 Investment income

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

1.15 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.

F3/25/11

Accounting Policies

1.16 Comparative figures

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

1.17 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.

1.18 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.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

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.

1.20 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

F3/26/A

Accounting Policies

1.20 Use of estimates (continued)

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.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

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

1.23 Housing development fund

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

1.24 Investments

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

1.25 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 criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

F3/27/P

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

2. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	11,764,320	-	11,764,320	11,764,320	-	11,764,320
Buildings	28,454,936	(858,790)	27,596,146	28,454,936	-	28,454,936
Infrastructure	498,207,556	(25,501,113)	472,706,443	441,439,237	(1,815,529)	439,623,708
Community	40,081,851	(1,825,241)	38,256,610	39,891,351	(483,421)	39,407,930
Other property, plant and equipment	33,706,433	(5,494,780)	28,211,653	32,284,655	(512,986)	31,771,669
Other leased Assets	2,343,506	-	2,343,506	2,343,506	-	2,343,506
Total	**614,558,602**	**(33,679,924)**	**580,878,678**	**556,178,005**	**(2,811,936)**	**553,366,069**
	G1.1	G1.1	G1.1			

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	31,771,669	1,421,778	(4,981,794)	28,211,653
Other leased Assets	2,343,506	-	-	2,343,506
PY	**553,366,069**	**58,380,597**	**(30,867,988)**	**580,878,678**
			G1.1.2	G1.1

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Depreciation	Total
Land	11,764,320	-	-	-	11,764,320
Buildings	27,929,936	525,000	-	-	28,454,936
Infrastructure	391,220,134	50,219,103	-	(1,815,529)	439,623,708
Community	16,065,294	23,826,057	-	(483,421)	39,407,930
Other property, plant and equipment	29,063,824	4,633,405	(1,412,574)	(512,986)	31,771,669
Other leased Assets	2,343,506	-	-	-	2,343,506
	478,387,014	**79,203,565**	**(1,412,574)**	**(2,811,936)**	**553,366,069**
			Does not transfer		

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.

3. Investments

		2010	2009
Available-for-sale			
Listed shares	J1.1	152,751	115,465
Sanlam shares			
Unlisted shares		421,156	374,234
Momentum policy			
		573,907	**489,699**
Held to maturity			
Held-to-maturity investments		7,380,077	6,422,542
Total other financial assets	J1.1	**7,953,984**	**6,912,241**

F3/28/A

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
3. Investments (continued)		
Non-current assets		
Held to maturity	7,380,077	6,422,542
Current assets		
Available-for-sale	573,907	489,699
J1.1	**7,953,984**	**6,912,241**

Included twice later page

Included in Held to maturity investments are investments which have been pledged as guarantees for long term liabilities as follows:

An investment of R 6 956 918 serves as guarantee for INCA loan no.: PARY-00-0001-417.

FNB investment no. 71038146801 amounting to R 33 261 serves as guarantee for BJ Monyamara.

FNB investment no. 71037431386 amounting to R 12 750 serves as guarantee for Saambou.

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 2010 and 2009, as all the financial assets were disposed of at their redemption date.

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.

4. Long-term Loans

Σ= 41 217 L2.1

Other long-term receivables	31,369	31,369
Short term portion of long-term receivables	9,848	9,848

5. Inventories

Stores, materials and fuels (K1.1)	835,912	818,169

6. Trade and other receivables from exchange transactions

Sundry Debtors	28,648,234	27,635,060
Salary debtors	3,801,696	-
L2.1	**32,449,930**	**27,635,060**

7. Consumer debtors (Does not transfer. Note: Consumer receivables from exchange transactions)

Gross balances		
Rates	49,687,481	35,335,198
Electricity	30,579,627	27,231,834
Water	55,326,443	34,790,508
Sewerage	28,014,973	18,201,724
Refuse	26,621,844	18,053,035
Sundry debtors	26,576,487	16,333,024
L1.1	**216,806,855**	**149,945,323**

F3/29/A

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
7. Consumer debtors (continued)		
Less: Provision for debt impairment		
Rates	(42,249,438)	(17,535,804)
Electricity	(26,001,963)	(3,661,022)
Water	(47,044,267)	(6,086,441)
Sewerage	(23,821,229)	(9,032,973)
Refuse	(22,636,647)	(8,959,182)
Sundry debtors	(15,866,819)	-
L1.1	**(177,620,363)**	**(45,275,422)**
Net balance		
Rates	7,438,043	17,799,393
Electricity	4,577,664	23,570,812
Water	8,282,176	28,704,067
Sewerage	4,193,744	9,168,752
Refuse	3,985,198	9,093,855
Sundry debtors	10,709,668	16,333,024
L1.1	**39,186,493**	**104,669,903**
Rates		
Current (0 -30 days)	3,499,844	2,382,021
31 - 60 days	1,306,584	1,550,290
61 - 90 days	1,076,505	1,333,906
91 - 120 days	30,062,103	46,402,005
	35,945,036	**51,668,222**
Electricity		
Current (0 -30 days)	4,125,412	4,323,488
31 - 60 days	2,797,994	2,323,421
61 - 90 days	1,258,656	4,592,980
91 - 120 days	22,832,092	15,991,945
	31,014,154	**27,231,834**
Water		
Current (0 -30 days)	3,064,208	9,887,543
31 - 60 days	2,462,247	2,782,562
61 - 90 days	2,307,819	2,837,184
91 - 120 days	51,813,845	19,283,219
	59,648,119	**34,790,508**
Sewerage		
Current (0 -30 days)	2,402,945	2,120,611
31 - 60 days	1,576,763	1,203,063
61 - 90 days	1,457,295	1,048,204
91 - 120 days	25,337,757	13,829,846
	30,774,760	**18,201,724**
Refuse		
Current (0 -30 days)	1,761,768	1,675,215
31 - 60 days	1,348,943	1,240,460
61 - 90 days	1,254,089	1,097,993
91 - 120 days	26,946,106	14,039,367
	31,310,906	**18,053,035**

N2 - R1 Difference
N3 - R2 Difference

F3/30/A

Notes to the Annual Financial Statements

Figures in Rand		2010	2009
7. Consumer debtors (continued)			
Sundry debtors			
Current (0 -30 days)		2,670,087	1,232,755
31 - 60 days		1,375,875	1,015,370
61 - 90 days		1,183,159	1,056,646
91 - 120 days		1,173,065	51,026,503
121 - 365 days		27,134,819	-
		33,537,005	**54,331,274**

Reconciliation of provision for impairment of consumer debtors

		2010	2009
Opening balance		(45,275,422)	(83,716,261)
Provision for impairment		(132,344,940)	-
Unused amounts reversed		-	38,440,839
	L1.1	**(177,620,362)**	**(45,275,422)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

		2010	2009
Cash on hand	O1.1	10,603	7,987
Bank balances		-	1,095,336
Other cash and cash equivalents		2,342,706	-
Bank overdraft		(26,064,617)	-
	O1.1	**(23,711,308)**	**1,103,323**
Current assets	O1.1	2,353,309	1,103,323
Current liabilities		(26,064,617)	-
	O1.1	**(23,711,308)**	**1,103,323**

The municipality had the following bank accounts

Current account(primary bank account)
ABSA Bank
Account number 4052707733

		2010	2009
Cash book balance at the beginning of the year	PY	1,095,336	(9,358,221)
Cash book balance at the end of the year	* O1.1	(26,064,617)	1,095,336
		-	-

Current account(primary bank account)
ABSA Bank
Account number 0110051048

		2010	2009
Cash book balance at the beginning of the year		-	179,662
Cash book balance at the end of the year		-	-
	*	-	-

Current account
ABSA
Account number 13000-0041

		2010	2009
Cash book balance at the beginning of the year		-	-
Cash book balance at the end of the year	0605	2,342,706	-
	*	**2,342,706**	-

		2010	2009
Petty Cash	* Formatting	10,603	7,987

F3/31/A

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

Formatting

8. Cash and cash equivalents (continued)

9. Non-current borrowings

		2010	2009
Held at amortised cost			
Government loans: Other		17,797,094	15,997,094
Other borrowings		7,986,595	8,650,311
Annuity loans		24,470	29,945
	Q1.1	**25,808,159**	**24,677,350**
Non-current liabilities			
At amortised cost		24,368,246	22,680,523
Current liabilities			
At amortised cost		1,439,913	1,996,827
	Q1.1	**25,808,159**	**24,677,350**

10. Finance lease obligation

		2010	2009
Minimum lease payments due			
- within one year		936,078	759,647
- in second to fifth year inclusive		1,056,767	1,502,710
		1,992,845	2,262,357
less: future finance charges		(264,276)	(424,100)
Present value of minimum lease payments	R660	**1,728,569**	**1,838,257**
Non-current liabilities		370,244	1,268,683
Current liabilities		778,378	569,573
	R1.1	**1,148,622**	**1,838,256**

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

		2010	2009
Unspent conditional grants and receipts			
Municipal Infrastructure grant		8,075,917	3,735,166
DWAF		300,562	114,978
LG Seta subsidy		861,886	87,719
Housing department		1,248,158	-
Department of Social Development		65,159	-
Local Government		340,000	-
DME - Electrification		2,484,430	-
Other grants		4,798,612	-
	Q1.1	**18,174,724**	**3,937,863**

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; and

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

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

12. Current tax receivable

N: Does not transfer · R1 difference

F3/32/A

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

12. Current tax receivable (continued)

VAT receivable	V1.1	13,598,344	22,567,780

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

13. Consumer deposits

Electricity and water	V2.1	3,491,922	3,392,468

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

14. Revenue

Property rates	F3/8/A	48,341,497	33,412,364
Service charges		126,747,917	116,399,462
Rental of facilities & equipment		1,030,220	307,904
Fines		608,940	615,101
Government grants & subsidies		159,074,015	151,694,679
		335,802,589	**302,429,510**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	F3/8/A	126,747,917	116,399,462
Rental of facilities & equipment		1,030,220	307,904
		127,778,137	**116,707,366**

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

Property rates	F3/8/A	48,341,497	33,412,364
Fines		608,940	615,101
Government grants & subsidies		159,074,015	151,694,679
		208,024,452	**185,722,144**

15. Property rates

Rates received

Property rates		54,832,745	33,412,364
Less: income forgone		(6,491,248)	-
	F3/8/A	**48,341,497**	**33,412,364**

16. Service charges

Sale of electricity	XA1.1.1	70,600,513	46,983,309
Sale of water		30,552,623	30,930,979
Sewerage and sanitation charges		23,844,057	20,233,655
Refuse removal		20,340,201	18,251,519
Customers' incentives	XA1.1.2	(18,589,477)	-
		126,747,917	**116,399,462**

F3/33/A

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

17. Government grants and subsidies

		2010	2009
Equitable share	XA1.1.1	101,674,041	77,992,272
Government grant - FMG		750,000	500,000
LG SETA Subsidy		338,000	850,105
Government grant - DWAF		4,177,817	-
Mvula trust subsidy		150,000	-
Government grant - MSIG		1,300,000	735,000
Government grant - DME		3,885,570	-
District Municipality grant - Fezile Dabi DM		518,654	-
Government grant - MIG	XA1.1.1	39,858,250	71,617,302
Government grant - Department of Housing	6 416 683 - 4 231 842 = 2 184 841	4,231,842	-
Provincial Government grant - Other	XA1.1.1	5,000	-
		159,074,015	**151,694,679**
		156 889 174	diff = 2 184 841
		Does not cast.	

Municipal Infrastructure grant

		2010	2009
Balance unspent at beginning of year		3,735,166	890,784
Current-year receipts		44,199,000	74,461,684
Conditions met - transferred to revenue		(39,858,249)	(71,617,302)
	Q850	**8,075,917**	**3,735,166**

Conditions still to be met - remain liabilities (see note 11)

DWAF

		2010	2009
Balance unspent at beginning of year		114,978	114,978
Current-year receipts		4,363,402	-
Conditions met - transferred to revenue		(4,177,817)	-
	Q850	**300,563**	**114,978**

Conditions still to be met - remain liabilities (see note 11)

LG Seta Subsidy

		2010	2009
Balance unspent at beginning of year		87,719	-
Current-year receipts		1,112,167	937,824
Conditions met - transferred to revenue		(338,000)	(850,105)
	Q850	**861,886**	**87,719**

Conditions still to be met - remain liabilities (see note 11)

Department of Housing

		2010	2009
Current-year receipts		5,480,000	-
Conditions met - transferred to revenue		(4,231,842)	-
	Q1.1	**1,248,158**	**-**

Conditions still to be met - remain liabilities (see note 11)

Department of Social Development (Hlasela)

		2010	2009
Current-year receipts		2,250,000	-
Conditions met - transferred to revenue		(2,184,841)	-
	Q1.1	**65,159**	**-**

F3/34/A

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

17. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 11)

Local Government grant

		2010	2009
Current-year receipts	Q850	340,000	-

Conditions still to be met - remain liabilities (see note 11)

Department of Mineral and Energy

		2010	2009
Current-year receipts		6,370,000	-
Conditions met - transferred to revenue		(3,885,570)	-
	Q1.1	**2,484,430**	**-**

Conditions still to be met - remain liabilities (see note 11)

Other grants

		2010	2009
Current-year receipts	Q850	4,798,611	-

Conditions still to be met - remain liabilities (see note 11)

18. Other income

		2010	2009
Auction fees		56,478	72,986
Administration fees		416	568,847
Building plans and inspections		67,065	69,141
Grave plots		732,128	631,320
Clearance certificates		72,608	54,298
Reconnection / Connection fees		381,242	389,231
Sundry income		1,628,995	363,284
Pre-paid electricity cards		811,506	3,050,452
	XA1.1	**3,750,438**	**5,199,559**

F3/35/A

Ngwathe Local Municipality
(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

19. General expenses

Advertisements	XB1.1	576,489	442,626
Annual report	⊥	449,176	212,720
Arts and culture markets	XB1.1.4	14,000	9,720
Auditors remuneration	XB1.1	2,868,682	2,427,151
Bank charges	⊥	995,152	699,698
Chemicals	XB1.1.3	2,812,008	1,983,504
Cleaning materials	XB1.1.1	728,528	387,534
Communication strategy	XB1.1.3	43,860	57,465
Consulting and professional fees		4,972,862	657,571
Community support programme	⊥	170,975	27,604
Cultural ceremonies		-	2,600
Donations - SPCA	XB1.1.3	31,330	4,620
Donations and bursaries	⊥	228,327	316,347
Electricity Ring Fencing	XB1.1.2	94,616	166,664
Employee wellness	XB1.1.5	28,285	1,193
Entertainment cost	XB1.1.3	1,282,433	1,199,829
Fleet management	XB1.1.5	183,502	115,512
Community development and training	XB1.1.4	1,454,552	-
Fuel and oil	XB1.1.1	3,907,584	6,791,545
Grave digging	XB1.1.3	1,100	51,725
Grant expenditure	XB1.1.4	16,388,822	-
Indigent subsidies	⊥	14,096,417	27,982,359
Indigent verification	XB1.1.1	53,068	39,339
Insurance	XB1.1.3	136,427	1,925,860
Legal fees	XB1.1.4	902,047	541,011
Licenses	XB1.1.1	253,212	528,436
Levies - training	XB1.1.2	28,072	6,800
Local economic development	XB1.1.1	670,300	771,575
Magazines, books and periodicals	XB1.1.4	18,390	70,428
Membership fees/Levies	XB1.1.1	29,564	16,049
Organisational development	XB1.1.1	390,509	385,233
Outsourcing of functions	XB1.1.4	242,482	31,611
Pauper burials	XB1.1.3	147,107	180,025
Performance management system	XB1.1.1	(433,094)	467,304
Postage and courier	XB1.1.4	1,174,650	878,442
Printing and stationery	XB1.1.2	1,449,398	579,254
Poverty alleviation	XB1.1.1	1,500,038	1,543,028
Protective clothing	XB1.1.1	996,777	673,168
Projects - Wards	XB1.1.3	2,258,541	1,508,097
Projects - Mayor	⊥	426,908	2,208,326
Publicity (marketing/branding)	XB1.1	508,980	350,118
Registration fees - operator		-	3,155
Rent - plant and vehicles	XB1.1.2	2,826,389	5,344,415
Revision of IDP	XB1.1.1	(63,435)	655,006
Subsistence, travelling and accommodation	XB1.1.5	1,456,112	1,078,832
Telephone and fax	XB1.1.2	670,236	2,553,702
Transport and freight	XB1.1.3	1,069,415	-
Training cost	XB1.1.2	882,459	891,050
Valuation roll expenses	XB1.1.4	790,684	5,145,249
Accommodation costs	XB1.1.1	567,577	-
Departmental income / expenses	XB1.1	2,578,076	(167,649)
Youth development	XB1.1.1	322,442	310,380
Other expenses	F3/8/A	74,496	100,950
		73,256,527	**72,157,181**

F3/36/1

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

20. Employee related costs

Basic	U2.1	60,149,672	50,889,825
Bonus		4,530,358	5,863,834
Medical aid - company contributions		3,736,153	2,932,227
UIF	U2.1.1	612,679	518,350
Other payroll levies U2.1 TB= 1 104 571 diff= 1074 @		1,105,645	694,052
Leave pay provision charge	U2.1.1	1,232,522	2,473,023
Post-employment benefits - Pension - Defined contribution plan	U2.1	9,890,614	8,028,258
Overtime payments		3,910,332	4,354,934
Car allowance	U2.1.1	4,412,216	3,999,445
Housing benefits and allowances	U2.1	293,626	313,092
Other allowances	U2.1.1	2,913,670	643,727
Relief pay		1,046,009	753,357
		93,833,496	**81,464,124**

Remuneration of municipal manager

Annual Remuneration	U510	338,918	596,410
Travel, motor car, accommodation, subsistence and other allowances		343,570	152,093
Contributions to UIF, Medical and Pension Funds		1,020	1,497
Acting allowance		147,023	-
		830,531	**750,000**

Remuneration of chief finance officer

Annual Remuneration	U510	345,687	418,919
Travel, motor car, accommodation, subsistence and other allowances		318,187	179,584
Contributions to UIF, Medical and Pension Funds		1,149	1,497
Acting allowance		35,010	-
		700,033	**600,000**

Remuneration of Director: Tecnical Services

Annual Remuneration	U510	487,500	440,028
Travel, motor car, accommodation, subsistence and other allowances		162,401	158,475
Contributions to UIF, Medical and Pension Funds		1,534	1,497
		651,435	**600,000**

Remuneration of Director: Corporate Services

Annual Remuneration	U510	341,492	376,040
Travel, motor car, accommodation, subsistence and other allowances		148,060	158,610
Annual Bonuses		47,667	-
Contributions to UIF, Medical and Pension Funds		85,632	57,350
		622,851	**592,000**

Remuneration of Director: Community Services

Annual Remuneration	U510	466,028	391,226
Travel, motor car, accommodation, subsistence and other allowances		166,844	130,898
Contributions to UIF, Medical and Pension Funds		1,479	1,497
		634,351	**523,621**

21. Remuneration of councillors

F3/37

Ngwathe Local Municipality

(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

21. Remuneration of councillors (continued)

		2010	2009
Executive Major	U2.1	417,651	351,257
Mayoral Committee Members		1,016,172	1,046,553
Speaker U2.1		280,095	284,237
Councillors TB= 6 051 018 diff= 1075 @		6,049,943	6,276,250
		7,763,861	**7,958,297**

In-kind benefits

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

The Executive Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Executive Mayor has use of a Council owned vehicle for official duties.

22. Debt impairment

		2010	2009
Debt impairment	XB1.1.4	132,659,767	5,633,832

23. Depreciation and amortisation

		2010	2009
Property, plant and equipment	XB1.1.5	30,867,988	2,811,936

24. Finance costs

		2010	2009
Non-current borrowings	XB1.1.4	2,752,756	4,005,793
Bank		584,151	719,419
	XB1.1.4	**3,336,907**	**4,725,212**

25. Auditors' remuneration

		2010	2009
Fees	XB1.1	2,868,682	2,427,151

26. Contracted services

		2010	2009
Operating Leases	XB1.1.5	1,997,971	1,326,664
Specialist Services - Security	XB1.1.1	944,573	713,737
Meter reading services		1,394,721	1,268,710
		4,337,265	**3,309,111**

27. Bulk purchases

		2010	2009
Electricity	XB1.1	27,140,034	39,926,765
Water		6,972,628	5,754,789
		34,112,662	**45,681,554**

28. Cash generated from operations

		2010	2009
(Deficit) surplus		(42,094,874)	60,904,017
Adjustments for:			
Depreciation and amortisation	XB1.1.5	30,867,988	2,811,936
Gain on sale of assets and liabilities		-	20,083,938
Adjustment on current year surplus	P50/1	(6,884,649)	-
Interest income		-	(11,414,774)

Ngwathe Local Municipality
(Registration number FS203)
Annual Financial Statements for the year ended 30 June 2010

Notes to the Annual Financial Statements

Figures in Rand		2010	2009
28. Cash generated from operations (continued)			
Finance costs	XB1.1.4	3,336,907	4,005,793
Debt impairment		132,659,767	-
Movements in provisions		-	(832,250)
Movement in tax receivable and payable	R	8,969,436	65,800,916
Movement in reserves		16,679	-
Changes in working capital:			
Inventories	R	(17,743)	(664,032)
Trade and other receivables from exchange transactions		(4,814,870)	(27,635,060)
Other receivables from non-exchange transactions		-	2,132,729
Consumer debtors * wrong movement	*	(67,176,360)	(89,761,018)
Other non-current receivables		-	(3)
Trade and other payables from exchange transactions	R	(31,695,156)	704,056
Unspent conditional grants and receipts		14,236,861	3,047,079
Consumer deposits		99,454	-
		37,503,440	**61,532,156**

Doc not cas

29183327

29. Related parties

Relationships

Entity owned by Councillor, Mr G. Mandelstam	Du Toit & Mandelstam
Entity owned by Councillor, Mr E.C Sothoane	E.C Sothoane funeral services
Entity owned by Parys regional manager, Mr L. Marumo	Batho Pele Funeral Parlour

Related party transactions

Amounts paid to related parties		2010	2009
Du Toit & Mandelstam	E100/67/1	9,042	49,461
E.C Sothoane funeral services		7,380	-
Batho Pele Funeral Parlour		2,000	4,600

Capital infrastucture and legal fees in respect of fruitless expenditure were rendered by Du Toit & Mandlstam.

Funeral services were rendered by E.C Sothoane funeral services

Funeral services were rendered by Batho Pele Funeral Parlourt

Amounts Owing to related parties		2010	2009
Du Toit & Mandelstam		-	570
E.C Sothoane funeral services	E100/67	1,950	-

30. Fruitless and wasteful expenditure

		2010	2009
Eskom	Ex 274	3,022,397	1,728,915
Rand Water		10,461	57,832
Data M		4,953	488
Pension Fund		16,523	2,015
Sheriff of the court		-	641
Grimbeek Attorneys		-	5,107
Jansen Attorneys		-	904
SARS		1,041,420	549,574
Garage Cards		-	1,391,254
Legal Cost		321,964	-
Long-term loan penalties		15,047	-
		4,432,765	**3,736,730**

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

NS 66751 + 42786 = 49461

F3/39/1

Notes to the Annual Financial Statements

Figures in Rand		2010	2009
31. Irregular expenditure			
Opening balance	EX274	1,144,912	-
Add: Irregular Expenditure - current year		1,320,460	1,144,912
Less: Amounts condoned		-	-
		2,465,372	**1,144,912**

Irregular expenditure R1 320 460 (R1 144 912 :2009) will be submitted to council for consideration. A detailed register of irregular expenditure is available for inspection.