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

General Information

Legal form of entity	"Local Municipality" as defined by the Municipal Structures Act
Nature of business and principal activities	Providing municipal services as set out in the Constitution
Mayoral committee	
Executive Mayor	Mr. T.X. Matwa (re - elected 18 May 2011)
Councillors	Mr. P.D. Basholo (elected 18 May 2011)
	Mrs. W. Coakley (term ended 30 May 2011)
	Ms. K.E. Dhlomo (re-elected 18 May 2011)
	Mrs. H.M. Hagenmann (re-elected 18 May 2011)
	Mrs. M. Khiwanana (term ended 30 April 2011)
	Mr. J.T. Koyana (re-elected 18 May 2011)
	Mrs. M.E. Maema (term ended 30 April 2011)
	Mr. M. Mafata (term ended 30 April 2011)
	Mrs. M.E. Masana (elected 18 May 2011)
	Mr. M.M. Matseo (re-elected 18 May 2011)
	Mr. P. Mdlokovana (term ended 30 April 2011)
	Mr. M.A. Moeketsi (term ended 30 April 2011)
	Mrs. N. Mqgaliso (term ended 30 April 2011)
	Mr. T.A. Phafudi (elected 18 May 2011)
	Mr. D. Phepheng (elected 18 May 2011)
	Mr. M. Pholo (term ended 30 April 2011)
	Mr. A. Rigala (elected 18 May 2011)
	Mrs. H. Shebe (elected 18 May 2011)
	Mr. B. Smit (elected 18 May 2011)
	Mr. S.A. Sola (elected 18 May 2011)
	Ms N. Spochter (elected 18 May 2011)
	Mrs. J. Stuurman (elected 18 May 2011)
Grading of local authority	Grade Two Local Authority
Accounting Officer	Mrs. L. Y. Moletsane
Chief Finance Officer (CFO)	Mr. M.J. Monnaruri
Registered office	20 Louw Street Trompsburg 9913
Postal address	P.O. Box 23 Trompsburg 9913
Bankers	First National Bank
Auditors	Auditor General of South Africa
Attorneys	Bomela Attorneys - Bloemfontein

General Information

Relevant legislation	Basic Conditions of Employment Act (Act no. 75 of 1997) Division of Revenue Act Electricity Act (Act no. 41 of 1987) Employment Equity Act (Act. no. 55 of 1998) Housing Act (Act no. 107 of 1997) Income Tax Act (Act no 58 of 1962) Municipal Finance Management Act (Act no. 56 of 2003) Municipal Planning and Performance Management Regulations Municipal Property Rates Act (Act no. 6 of 2004) Municipal Structure Act (Act no. 117 of 1998) Municipal System Act (Act no. 32 of 2000) Skills Development Levies Act (Act no. 9 of 1999) South African Local Bargaining Council Regulations Supply Chain Management Regulation of 2005 Unemployment Insurance Act (Act no. 30 of 1996) Value-Added Tax Act (Act no. 89 of 1991) Water Services Act (Act no. 108 of 1997)

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

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

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

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

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

The annual financial statements set out on pages 5 to 45, which have been prepared on the going concern basis, were approved by the accounting officer on 2 September 2011 and were signed on its behalf by:

Mrs. L.Y. Moletsane

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Other receivables from exchange transactions	4	-	(53 639 501)
Other receivables from non-exchange transactions	5	-	(2 031 651)
		-	**(55 671 152)**
Total Assets		**-**	**(55 671 152)**
Liabilities			
Current Liabilities			
Consumer deposits	9	-	712 853
Provisions	10	-	4 842 421
Trade and other payables	11	-	42 268 104
Unspent conditional grants and receipts	14	-	2 776 864
VAT payable	15	-	20 125 885
Bank overdraft	6	-	10 055 485
		-	**80 781 612**
Non-Current Liabilities			
Long-term liabilities	12	-	2 849 556
Finance lease obligation	13	-	695 894
		-	**3 545 450**
Total Liabilities		**-**	**84 327 062**
Net Assets		**-**	**(139 998 214)**
Net Assets			
Reserves			
Housing Development Fund		-	511 395
Accumulated surplus		-	464 862 284
Total Net Assets		**-**	**465 373 679**

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue	16	-	167 306 271
Operating expenses		-	4 174 980
Operating surplus		**-**	**171 481 251**
Investment revenue	17	-	2 974 287
Surplus for the year		**-**	**174 455 538**

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Accumulated surplus	Total net assets
Opening balance as previously reported	511 395	286 899 979	287 411 374
Adjustments			
Prior year adjustments	-	3 506 767	3 506 767
Balance at 01 July 2009 as restated	**511 395**	**290 406 746**	**290 918 141**
Changes in net assets			
Deficit for the year	-	174 455 538	174 455 538
Total changes	-	174 455 538	174 455 538
Balance at 01 July 2010	**511 395**	**-**	**511 395**
Undefined Difference	**(511 395)**	**-**	**(511 395)**
Balance at 30 June 2011	**-**	**-**	**-**

Note(s)

Cash flow statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Sale of goods and services		169 300 961	190 040 433
Interest income		-	2 974 287
		169 300 961	193 014 720
Payments			
Employee costs		(53 162 893)	46 702 982
Suppliers		(81 199 463)	(227 072 495)
		(134 362 356)	(180 369 513)
Undefined difference compared to the cash generated from operations note		**(161 335 884)**	**125 375 902**
Net cash flows from operating activities	20	**(126 397 279)**	**138 021 109**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(31 332 284)	(29 422 819)
Purchase of long term debtors		-	28 963
Net cash flows from investing activities		**(31 332 284)**	**(29 393 856)**
Cash flows from financing activities			
Repayment of long-term liabilities		(2 849 556)	(298 571)
Movement in other liability 1		-	20 202
Finance lease payments		(695 894)	-
Finance lease receipts		-	695 894
Net cash flows from financing activities		**(3 545 450)**	**417 525**
Net increase/(decrease) in cash and cash equivalents		**(161 275 013)**	**109 044 778**
Cash and cash equivalents at the beginning of the year		(10 055 485)	(5 575 705)
Cash and cash equivalents at the end of the year	6	**(171 852 205)**	**103 469 073**

Accounting Policies

1. Presentation of Annual Financial Statements

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

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interests in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment (PPE)
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 26	Impairment of Cash-generating Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agricultural
GRAP 102	Intangible assets
IFRS 7	Financial Instruments: Disclosure
IAS 12	Income Taxes
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 39	Financial Instruments: Recognition and Measurement

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

GRAP 18	Segment Reporting
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of budget information
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

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.

These accounting policies are consistent with the previous period, except for the changes set out in the note of "Changes in accounting policy."

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating municipality note.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

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

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

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

Allowance for doubtful debts

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

1.2 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.

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.

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.

Accounting Policies

1.2 Inventories (continued)

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.

1.3 Property, plant and equipment

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

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

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

Initial measurement

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.

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.

Subsequent measurement

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value.

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

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.

1.3 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in municipality 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 municipality 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.

1.4 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through municipality or deficit - held for trading
- Financial assets at fair value through municipality or deficit.
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through municipality or deficit - held for trading
- Financial liabilities at fair value through municipality or deficit.
- 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.

Financial assets classified as at fair value through municipality or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:
- in rare circumstances
- if the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through municipality or deficit category.

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

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.

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

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

1.4 Financial instruments (continued)

Subsequent measurement

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

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

Dividend income is recognised in municipality 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 impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in municipality or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in municipality 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 municipality 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 municipality 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.

Impairment losses are recognised in municipality 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 municipality 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.

1.4 Financial instruments (continued)

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 municipality 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.

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 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.

Gains and losses

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

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

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

Accounting Policies

1.4 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

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

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 future 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 on the remaining balance of the liability.

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 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits are recognised in the period in which the service is rendered and are not discounted.

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

Accounting Policies

1.6 Employee benefits (continued)

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 scheme 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 municipality 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 municipality 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.

1.7 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.

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.

1.7 Provisions and contingencies (continued)

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.

Contingent assets and contingent liabilities are not recognised.

1.8 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.

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Interest

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

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

1.9 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.

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.

Accounting Policies

1.9 Revenue from non-exchange transactions (continued)

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.

1.10 Investment income

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

1.11 Comparative figures

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

1.12 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.

1.13 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.

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of this Act.

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.

1.15 Use of estimates

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

1.16 Offsetting

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

1.17 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.

1.18 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.

1.19 Presentation of currency

These annual financial statements are presented in South African Rand.

1.20 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.

1.21 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.

1.22 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

2. Inventories

3. Trade receivables from exchange transactions

	2011	2010
Electricity		
The detailed age analysis for Electricity debtors is not available. Only the totals have been provided.	982 094	1 021 739
Undefined Difference	**(982 094)**	**(1 021 739)**
	-	-
Housing rental		
The detailed age analysis for housing rental debtors is not available. Only the totals have been provided.	(111 375)	69 568
31 - 60 days	-	55 094
61 - 90 days	-	53 705
> 90 days	-	2 215 115
less: provision for debt impairment	-	(2 353 725)
Undefined Difference	**111 375**	**(39 757)**
	-	-
Refuse		
The detailed age analysis for refuse debtors is not available. Only the totals have been provided.	159 586	304 260
31 - 60 days	-	484 938
61 - 90 days	-	434 718
> 90 days	-	11 335 314
less: provision for debt impairment	-	(12 308 837)
Undefined Difference	**(159 586)**	**(250 393)**
	-	-
Sewerage		
The detailed age analysis for sewerage debtors is not available. Only the totals have been provided.	222 284	669 950
31 - 60 days	-	597 490
61 - 90 days	-	469 932
> 90 days	-	15 319 037
less: provision for debt impairment	-	(16 708 600)
Undefined Difference	**(222 284)**	**(347 809)**
	-	-
Water		
Current (0 -30 days)	-	508 480
31 - 60 days	-	484 713
61 - 90 days	-	400 388
> 90 days	-	10 649 726
less: provision for debt impairment	-	(11 594 806)
Undefined Difference	**-**	**(448 501)**
	-	-
Reconciliation of debt impairment provision		
Balance at beginning of the year	-	(11 526 559)
Contributions to provision	-	(31 439 409)
Undefined Difference	**-**	**42 965 968**
	-	-

Fair value determination

Notes to the Annual Financial Statements

3. Trade receivables from exchange transactions (continued)

Normal credit terms of the municipality include a 30 days interest free period. Hence debtors have been fair valued by discounting the balance owing for less than 30 days using a prime interest rate of 9%.

Doubtful debts calculation

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Receivables impaired

In principle it was decided that, if a debtor has any debt older than 120 days, the debtor will probably not pay and the full debtor should be provided. However, there may be cases where the debtor is paying the current debt, but does not have old debt. In principle it was then decided that the debtor will most probably not pay the old debt. Therefore, if a debtor has no outstanding amounts in the the 60, 90, 120 or 150 day categories, the balance in 180 days is provided.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

4. Other receivables from exchange transactions

Other debtors	-	(447 034)
Impair for bad debts	-	(53 192 467)
	-	**(53 639 501)**

Fair value determination

Normal credit terms of the municipality include a 30 days interest free period. Hence debtors have been fair valued by discounting the balance owing for less than 30 days using a prime interest rate of 9%.

Receivables impaired

In principle it was decided that, if a debtor has any debt older than 120 days, the debtor will probably not pay and the full debtor should be provided. However, there may be cases where the debtor is paying the current debt, but does not have old debt. In principle it was then decided that the debtor will most probably not pay the old debt. Therefore, if a debtor has no outstanding amounts in the the 60, 90, 120 or 150 day categories, the balance in 180 days is provided.

5. Other receivables from non-exchange transactions

Cash control account	-	(2 031 651)

Consumer debtor: Rates		
Gross balance	15 114 411	12 964 037
Less: Provision for debt impairment	(9 873 401)	(10 631 218)
	5 241 010	**2 332 819**

Rates		
The detailed age analysis for Rate debtors is not available. Only the totals have been provided.	5 241 010	-
Current (0 -30 days)	-	41 900
31 - 60 days	-	427 916
61 - 90 days	-	417 231
> 90 days	-	12 076 990
less: provision for debt impairment	-	(10 631 218)
	5 241 010	**2 332 819**

Fair value determination

Normal credit terms of the municipality include a 30 days interest free period. Hence debtors have been fair valued by discounting the balance owing for less than 30 days using a prime interest rate of 9%.

Receivables impaired

In principle it was decided that, if a debtor has any debt older than 120 days, the debtor will probably not pay and the full debtor should be provided. However, there may be cases where the debtor is paying the current debt, but does not have old debt. In principle it was then decided that the debtor will most probably not pay the old debt. Therefore, if a debtor has no outstanding amounts in the the 60, 90, 120 or 150 day categories, the balance in 180 days is provided.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank overdraft	-	(10 055 485)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
FNB - Business cheque account - 6202 195 027 6	(4 995 663)	(8 609 184)	(4 270 559)	(5 822 987)	(10 272 547)	(5 662 038)
Standard Bank - Business cheque account - 04 191 730 8	22 459	44 601	28 071	22 459	44 601	28 071
ABSA - Business cheque account - 246 014 2140	21 057	61 686	43 178	21 057	61 687	43 178
Total	**(4 952 147)**	**(8 502 897)**	**(4 199 310)**	**(5 779 471)**	**(10 166 259)**	**(5 590 789)**

7. Long term debtors

Gariepdam Housing Scheme	6 928	10 819
Less: Current portion transferred to current liabilities	(5 405)	(5 747)
	1 523	**5 072**

8. Property, plant and equipment

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Difference	Additions	Total
Infrastructure	-	**(30 828 932)**	30 828 932	-
Community	-	**(964)**	964	-
Other property, plant and equipment	-	**(502 388)**	502 388	-
	-	**(31 332 284)**	**31 332 284**	**-**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Difference	Additions	Total
Land	9 778 673	**(9 778 673)**	-	-
Buildings	12 488 004	**(12 488 004)**	-	-
Infrastructure	263 100 962	**(289 274 186)**	26 173 224	-
Community	7 737 810	**(9 888 206)**	2 150 396	-
Other property, plant and equipment	7 649 905	**(8 749 104)**	1 099 199	-
Heritage	373 047	**(373 047)**	-	-
	301 128 401	**(330 551 220)**	**29 422 819**	**-**

Pledged as security

Carrying value of assets pledged as security:

	2011	2010
Other property, plant and equipment (office equipment)	652 996	652 996

The value of the outstanding lease obligation is R 635 137 (2010 - R 695 893). Refer to note 13.

9. Consumer deposits

	2011	2010
Rates, water and refuse	-	712 853

10. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Difference	Additions	Utilised during the year	Total
Provision for bonus	1 218 317	**(1 413 902)**	195 585	-	-
Provision for leave	3 624 104	**(3 616 358)**	286 362	(294 108)	-
	4 842 421	**(5 030 260)**	**481 947**	**(294 108)**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Provisions (continued)

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonus	1 075 984	2 248 070	(2 105 737)	1 218 317
Provision for leave	2 102 512	1 813 727	(292 135)	3 624 104
	3 178 496	**4 061 797**	**(2 397 872)**	**4 842 421**

Provision for bonusses and leave were made at year-end, since employees are entitled to a pro-rata portion of bonus and leave at date of resignation..

11. Trade and other payables

	2011	2010
Trade payables	-	38 996 703
Bethulie housing projects	-	14 665
Payments received in advanced	-	3 183 736
Unallocated income	-	73 000
	-	**42 268 104**

12. Long-term liabilities

	2011	2010
Held at amortised cost		
Mangaung 2 This loan is repayable in 3 annual instalments of R 20 034, excluding interest accrued at a rate of 10%, calculated annually.	-	80 138
Mangaung 3 This loan is repayable in 14 annual instalments of R 7 766, excluding interest accrued at a rate of 10%, calculated annually.	-	116 494
Mangaung 4 This loan is repayable in 4 annual instalments of R 32 238, excluding interest accrued at a rate of 10%, calculated annually.	-	161 193
Mangaung 5 This loan is repayable in 12 annual instalments of R 44 689, excluding interest accrued at a rate of 10%, calculated annually.	-	580 953
Mangaung 6 This loan is repayable in 13 annual instalments of R 15 304, excluding interest accrued at a rate of 10%, calculated annually.	-	214 255
Mangaung 7 This loan is repayable in 13 annual instalments of R 18 101, excluding interest accrued at a rate of 10%, calculated annually.	-	253 406
Mangaung 8 This loan is repayable in 12 annual instalments of R 11 634, excluding interest accrued at a rate of 10%, calculated annually.	-	151 239
Managaung 9 This loan is repayable in 13 annual instalments of R 24 016, excluding interest accrued at a rate of 10%, calculated annually.	-	336 228
Managaung 10 This loan is repayable in 2 annual instalments of R 13 228, excluding interest accrued at a rate of 10%, calculated annually.	-	39 683
Mangaung 11 This loan is repayable in 2 annual instalments of R 13 228, excluding interest accrued at a rate of 10%, calculated annually.	-	39 683
Mangaung 12 This loan is repayable in 14 annual instalments of R 58 419, excluding interest accrued at a rate of 10%, calculated annually.	-	876 284
	-	**2 849 556**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

12. Long-term liabilities (continued)

Non-current liabilities		
At amortised cost	-	2 849 556

13. Finance lease obligation

Minimum lease payments due		
- within one year	633 112	550 532
- in second to fifth year inclusive	526 322	1 159 434
	1 159 434	1 709 966
less: future finance charges	(524 297)	(1 014 073)
Present value of minimum lease payments	**635 137**	**695 893**
Present value of minimum lease payments due		
- within one year	237 667	236 436
- in second to fifth year inclusive	397 470	459 457
	635 137	**695 893**

The lease term is 3 years and the effective borrowing rate is 9% (2010: 9%). The outstanding lease amount is payable in monthly installment of R 50 852 (2010 - R 44 219)

Interest rates are fixed at the contract date. All leases escalate at 15% p.a and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 8.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Arts and craft grant (Dept of Sports and Culture)	-	500 000
Communage grant (DBSA)	-	26 171
Financial management grant	-	202 001
Municipal Infrastructure grant	-	1 556 428
SITA grant	-	26 227
Sport facilities grant (National Lottery)	-	301 981
Survey of erven grant (COGTA)	-	164 056
	-	**2 776 864**

Movement during the year

Balance at the beginning of the year	2 776 864	2 486 202
Additions during the year	41 904 584	40 831 964
Income recognition during the year	(43 148 472)	(40 541 303)
Undefined Difference	**(1 532 976)**	**1**
	-	**2 776 864**

The nature and extent of government grants recognised in the annual financial statements is 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 21 for a reconciliation of grants.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

15. VAT payable

Tax refunds payables	-	20 125 885

16. Revenue

Fines	-	83 955
Government grants & subsidies	-	102 809 803
Other revenue	-	2 231 102
Property rates	-	13 692 640
Rental of facilities & equipment	-	1 055 816
Sale of goods	-	57 433
Service charges	-	47 375 522
	-	**167 306 271**

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

Other revenue	-	2 231 102
Rental of facilities & equipment	-	1 055 816
Sale of goods	-	57 433
Service charges	-	47 375 522
	-	**50 719 873**

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

Fines	-	83 955
Government grants & subsidies	-	102 809 803
Property rates	-	13 692 640
	-	**116 586 398**

17. Investment revenue

Interest revenue

Bank	-	137 106
Fair value adjustments on receivables	-	563 173
Interest charged on trade and other receivables	-	2 274 008
	-	**2 974 287**

18. Finance costs

19. Prior period errors

The correction of the error(s) results in adjustments as follows:

Employees were dismissed during the 2009/2010 financial year and they took the municipality to court. At 30/06/2010, the municipality interms of a court order had to pay the affected employees R541 144. This amount was not recognized as a provision and hence has been corrected. The result is an increase in staff cost and an increase in staff creditors.

These were employer and employee pension fund contributions to SAMWU National Pension Fund that were not deducted by the municipality during the 2009/2010 financial year. The total amount owing at 30/06/2010 of R2 443 522 has been corrected.

This was interest that accred on outstanding pension fund contributions during the 2009/2010 financial year that were not brought to book. The total amount of R819 832 has been corrected.

Prior year correction to VAT amounting to R5 734 808 has been effected. The effect is that output VAT will increase and accumulated surplus will decrease.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

19. Prior period errors (continued)

This amount of R628 231 was input VAT on bulk purchases that was incorrectly claimed twice, resulting in understatement of expenses. This has been corrected. The effect is a decrease in put VAT and increase in expenses.

Lease assets were recognised in previous financial years and at the end of the lease term the liability was not extinguished. The balance on the lease liability account of R175 679 was written off

The District Municipality donated a sports stadium to the Local municipality during the 2008/2009 financial year. This was not brought in to book. This error has been corrected and the effect is that assets are debitted and accumulated surplus is credited.

Statement of financial position		
Property, plant and equipment	-	4 070 571
Bank overdraft	-	(217 062)
Trade creditors	-	(6 607 406)
Leased assets	-	175 679
Opening Accumualted Surplus or Deficit	-	(3 506 767)
Cash and cash equivalents	-	30 137
Statement of financial performance		
Operating expenditure	-	5 710 348

20. Cash (used in) generated from operations

Surplus	-	174 455 538
Adjustments for:		
Movements in provisions	(4 842 421)	-
Changes in working capital:		
Inventories	-	98 600
Other receivables from exchange transactions	(53 639 501)	-
Other receivables from non-exchange transactions	(2 031 651)	-
Consumer debtors	-	(46 749 178)
Short term portion of long term debtors	-	8 761
Trade and other payables	(42 268 104)	2 124 953
VAT	(20 125 885)	8 992 269
Unspent conditional grants and receipts	(2 776 864)	(648 454)
Consumer deposits	(712 853)	(261 380)
	(126 397 279)	**138 021 109**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Government grants and subsidies

Equitable share	-	62 268 500
Financial Help: COGTA	-	6 980 000
Grants received	-	31 081 820
VAT from capital grants	-	2 479 483
	-	**102 809 803**

Arts and craft grant (Dept. of Sports and Culture)

Balance unspent at beginning of year	500 000	500 000
Undefined Difference	**(500 000)**	**-**
	-	**500 000**

Conditions still to be met - remain liabilities (see note 14)

COGTA grant - paid Auditor General

Current-year receipts	3 116 871	-
Conditions met - transferred to revenue	(3 116 871)	-
	-	**-**

Communage grant (DBSA)

Balance unspent at beginning of year	26 171	26 171
Undefined Difference	**(26 171)**	**-**
	-	**26 171**

Conditions still to be met - remain liabilities (see note 14)

Draught relief COGTA

Balance unspent at beginning of year	-	205 316
Current-year receipts	-	671 636
Conditions met - transferred to revenue	(478 753)	(398 199)
Undefined Difference	**478 753**	**(478 753)**
	-	**-**

Equitable Share

In terms of the Constitution of the Republic of South Africa, No. 108 of 1996, this grant is used to subsidise the provision of basic services to indigent community members and to subsidise income. No significant decrease is expected in thelevel of this grant.

Financial help (COGTA)

Current-year receipts	4 300 000	6 980 000
Conditions met - transferred to revenue	(4 300 000)	(6 980 000)
	-	**-**

Financial management grant

Balance unspent at beginning of year	202 001	-
Current-year receipts	1 200 000	750 000
Conditions met - transferred to revenue	(1 402 001)	(547 999)

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

21. Government grants and subsidies (continued)

	-	**202 001**

Library grant

Current-year receipts	73 000	-
Conditions met - transferred to revenue	(73 000)	-
	-	**-**

Municipal infrastructure grant

Balance unspent at beginning of year	1 556 428	4 097 662
Current-year receipts	33 109 764	26 016 624
Conditions met - transferred to revenue	(30 956 120)	(29 036 612)
VAT - Department of Water Affairs	(2 027 280)	-
Amount to be cancelled	(663 270)	-
Undefined Difference	**(1 019 522)**	**478 754**
	-	**1 556 428**

Conditions still to be met - remain liabilities (see note 14)

Municipal systems improvement grant

Current-year receipts	750 000	735 000
Conditions met - transferred to revenue	(750 000)	(735 000)
	-	**-**

Sport facilities grant (Natonal Lottery)

Balance unspent at beginning of year	301 981	301 981
Undefined Difference	**(301 981)**	**-**
	-	**301 981**

Conditions still to be met - remain liabilities (see note 14)

SITA grant

Balance unspent at beginning of year	26 227	96 000
Current-year receipts	18 219	209 981
Conditions met - transferred to revenue	(44 446)	(279 754)
	-	**26 227**

Survey of erven (COGTA)

Balance unspent at beginning of year	164 056	248 312
Conditions met - transferred to revenue	-	(84 256)
Undefined Difference	**(164 056)**	**-**
	-	**164 056**

Conditions still to be met - remain liabilities (see note 14)

Figures in Rand	2011	2010

22. Property rates

Rates received

Rates	-	13 692 640

The details of rates levied as per different categories on the valuation roll were not available for the year under review.

Valuations

Church	31 554 000	-
Commercial	94 554 400	135 901 300
Empty site, no tariff and municipal property	63 647 060	1 904 568 550
Hospital	996 000	-
Residential	1 431 569 824	803 738 000
School	87 058 000	-
Small holdings and farms	4 274 892 000	-
State	99 402 040	299 856 500
	6 083 673 324	**3 144 064 350**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

23. Service charges

Refuse removal	-	5 874 556
Sale of electricity	-	27 401 225
Sale of water	-	5 952 762
Sewerage and sanitation charges	-	8 146 979
	-	**47 375 522**

24. Bulk purchases

25. Debt impairment

Figures in Rand	2011	2010

26. Employee related costs

Housing benefits and allowances	-	(1)

Remuneration of Municipal Manager

Basic	493 019	415 499
Bonus	41 821	30 166
Acting allowance	-	25 055
Travel allowance	275 674	244 296
Cellphone allowance	3 600	6 283
Housing allowance	-	2 447
Contributions to UIF, Medical and Provident Fund	-	46 624
	814 114	**770 370**

Remuneration of Chief Finance Officer

Basic	502 497	288 653
Bonus	41 643	21 925
Acting allowance	-	33 224
Back pay	-	2 100
Travel allowance	92 928	69 974
Cellphone allowance	-	3 300
Housing allowance	-	7 386
Leave payment	-	10 104
Contributions to UIF, Medical and Provident Fund	-	34 460
	637 068	**471 126**

Remuneration of Head Technical Services

Basic	382 380	314 742
Bonus	31 868	22 100
Acting allowance	5 311	33 224
Back pay	-	2 100
Travel allowance	180 838	82 917
Cellphone allowance	-	3 300
Housing allowance	9 786	6 011
Leave payment	-	10 608
Contributions to UIF, Medical and Provident Fund	-	75 102
	610 183	**550 104**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

26. Employee related costs (continued)

Remuneration of Head Corporate Services

Basic	382 419	203 863
Bonus	31 868	33 700
Acting allowance	-	136 144
Back pay	-	2 100
Travel allowance	199 545	66 917
Cellphone allowance	-	900
Housing allowance	-	2 092
Leave payment	-	12 357
Contributions to UIF, Medical and Provident Fund	-	46 970
	613 832	**505 043**

Remuneration of Head Community Services

Basic	382 265	372 671
Bonus	31 868	29 000
Acting allowance	-	9 015
Back pay	-	2 100
Car allowance	206 898	143 346
Cellphone allowance	-	900
Housing allowance	-	9 115
Leave payment	-	7 956
Contributions to UIF, Medical and Provident Fund	-	55 476
	621 031	**629 579**

27. General expenses

General expenses IAS39	-	(2 722 527)
Other expenses	-	(1 277 618)
Telephone and fax	-	(174 833)
	-	**(4 174 978)**

28. Remuneration of councillors

In-kind benefits

The Mayor and Speaker are full time employees of the municipality. They are provided with an office and administration support at the cost of the Council

29. Auditors' remuneration

30. Financial assets by category

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

2011

	Loans and receivables	Total
Trade receivables from exchange transactions	1 673 130	1 673 130
Other receivables from exchange transactions	7 073 759	7 073 759
Cash and cash equivalents	2 498 543	2 498 543
Long term debtors	6 928	6 928
	11 252 360	**11 252 360**

2010

	Loans and receivables	Total
Trade receivables from exchange transactions	2 108 199	2 108 199
Other receivables from exchange transactions	299 548	299 548
Other receivables from non-exchange transactions	19 228 417	19 228 417
Cash and cash equivalents	2 498 543	2 498 543
Long term debtors	10 819	10 819
	24 145 526	**24 145 526**

31. Financial liabilities by category

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

2011

	Financial liabilities at amortised cost	Total
Consumer deposits	1 155 390	1 155 390
Trade and other payables	53 605 869	53 605 869
Long-term liabilities	2 590 896	2 590 896
Finance lease obligation	635 137	635 137
Unspent conditional grants	1 532 976	1 532 976
VAT payable	4 543 786	4 543 786
Bank overdraft	5 822 987	5 822 987
	69 887 041	**69 887 041**

2010

	Financial liabilities at amortised cost	Total
Consumer deposits	712 853	712 853
Trade and other payables	39 531 402	39 531 402
Long-term liabilities	2 849 553	2 849 553
Finance lease obligation	695 894	695 894
Unspent conditional grants	2 776 863	2 776 863
VAT payable	3 022 931	3 022 931
Bank overdraft	10 055 485	10 055 485
	59 644 981	**59 644 981**

Figures in Rand	2011	2010

32. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	35 956 366	30 615 270
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	15 104 993	51 061 359

This committed expenditure relates to infrastructure and will be financed by available bank facilities, retained surpluses, loans and government grants.

33. Contingencies

The municipality is involved in legal actions regarding the review of arbitration awards with the Labour Court. These legal proceedings originated from retainer agreements that were terminated and the nature of these claims include; reinstatement, salaries from date of termination of employment and interest. Since termination of these retainer agreements, accounts to the value of R 27 033 were tendered. The estimated legal cost of these proceedings is R 490 000. The municipality's lawyers and management consider the likelihood of these actions against the municipality being successful as unlikely.

An interdict against the awarding of a tender by the municipality was obtained. The nature of the claim include the review of the tender application and the tender amount of R 564 354. The estimated legal cost is R 100 000. The municipality's lawyers and management consider the likelihood of these actions against the municipality being successful as unlikely.

A litigation action against the municipality, relating to a tender awarded by the municipality is in process. In this civil action, the municipality is requested to provide reasons why the plaintiff did not secure a tender to the amount of R 707 974. The estimated legal cost is R 100 000. The municipality's lawyers and management consider the likelihood of these actions against the municipality being successful as unlikely.

The municipality is involved in a civil action regarding the claim for damages from the municipality by the plaintiff to the amount of R 1 403 948. The estimated legal cost is R 200 000. The municipality's lawyers and management consider the likelihood of these actions against the municipality being successful as unlikely.

34. Related parties

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

35. Risk management

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2011	**Less than 1 year**	**More than 1 year**

35. Risk management (continued)

Consumer deposits	1 155 390	-
Trade and other payables	53 605 869	-
Long-term liabilities	258 656	2 332 240
Finance lease obligation	237 667	397 470
Unpent conditional grants	1 532 976	-
VAT payable	4 543 786	-
Bank overdraft	5 822 987	-
	67 157 331	**2 729 710**

2010

Consumer deposits	712 853	-
Trade and other payables	39 531 402	-
Long-term liabilities	258 656	2 590 897
Finance lease obligation	236 436	459 458
Unpent conditional grants	2 776 863	-
VAT payable	3 022 931	-
Bank overdraft	10 055 485	-
	56 594 626	**3 050 355**

Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0% (2010 - 1%) decrease in interest rates	-	(62 363)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to notes 3 and 5 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

Foreign exchange risk

The municipality does not engage in foreign currency transactions.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

35. Risk management (continued)

Price risk

The municipality is not exposed to price risk.

36. Going concern

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

37. Events after the reporting date

The municipality has no events after reporting date during the financial year ended 2010/2011.

38. Unauthorised expenditure

Opening balance	70 636 698	12 222 637
Budget overspending	12 800 744	58 414 061
	83 437 442	**70 636 698**

No criminal or disciplinary steps were taken as a consequence of above expenditure.

39. Fruitless and wasteful expenditure

Opening balance	8 539 133	7 897 645
Fruitless and wasteful expenditure - current year	2 325 524	3 706 354
SARS penalties and interest	395 817	-
	11 260 474	**11 603 999**

No criminal or disciplinary steps were taken as a consequence of above expenditure.

40. Irregular expenditure

Opening balance	29 581 212	855 027
Add: Irregular Expenditure - current year	35 840 272	28 726 185
	65 421 484	**29 581 212**

No criminal or disciplinary steps were taken as a consequence of above expenditure.

41. In-kind donations and assistance

Property, plant and equipment	46 100	-

A Toyota Hilux was donated by the Governement Garage to the municipality.

42. Additional disclosure in terms of Municipal Finance Management Act

Material losses through criminal conduct

Theft of speakers at town hall	1 200	-

Audit fees

Opening balance	1 519 249	409 459
Current year fee	801 768	1 519 249

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

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

Amounts paid	(1 500 000)	(409 459)
	821 017	**1 519 249**

PAYE and UIF

Opening balance	2 990 156	1 289 512
Current year payroll deductions	4 797 392	3 631 919
Penalties and interest	395 817	455 412
Corrections made	(3 194 309)	(1 042 988)
Amounts paid	(1 756 355)	(1 343 699)
	3 232 701	**2 990 156**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

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

Pension and Medical Aid Deductions

	2011	2010
Opening balance	19 794 620	16 458 770
Current year payroll deductions	13 336 156	7 889 904
Amounts paid	(23 526 978)	(4 554 054)
	9 603 798	**19 794 620**

VAT

	2011	2010
VAT payable	-	20 125 885

Councillors' arrear consumer accounts

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

30 June 2011	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mr. T.X Matwa	465	640	1 105
Mr. J.T. Koyana	527	7 462	7 989
Mr. D. Phepheng	876	5 055	5 931
Mr. A. Rigala	366	1 279	1 645
Mr. S.A. Sola	1 962	13 479	15 441
	4 196	**27 915**	**32 111**

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
M. Khwinani	233	860	1 093
M.J. Ncokwana	307	5 265	5 572
M.P. Mqaliso	242	673	915
M. Matseo	306	481	787
J.T. Koyana	401	11 347	11 748
M.P. Mqaliso	234	878	1 112
	1 723	**19 504**	**21 227**

Other non-compliance

Section 9(b) of the MFMA requires that annually before the start of a financial year, the name of each bank where the municipality holds a bank account, and the type and number of each account should be submitted to the relevant provincial treasury and the Auditor-General in writing. The municipality did not adhere to this section in the current year.

Section 32(2) (a) of the MFMA requries that a municipality recovers unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure- in case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by council. No irregular or fruitless and wasteful expenditure were recovered or certified by the council as irrecoverable and written off.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by this section.

Section 62(1)(d) of the MFMA states that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that unauthorised, irregular

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

or fruitless and wasteful expenditure and other losses are prevented. No steps were taken by the municipality to prevent unauthorised, irregular or fruitless and wasteful expenditure.

In terms of section 65(2)(e) of the MFMA the accounting officer must take reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. Contrary to this requirement, all money owing by the municipality was not paid within 30 days of receiving the relevant invoice or statement.

Distribution losses (water)

Number of users - 11 970
Units bought - 4 566 127
Units sold - 1 567 983
Free basic service - 728 856
Units lost on distribution - 2 269 288
Units lost in distribution as percentage - 49,7%

43. Deviation from supply chain management regulations

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

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

Goods and services to the value of R 2 453 196 were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above.

Notes to the Annual Financial Statements

Figures in Rand

44. Comparative between budet and actual information

2011

	Original budget	Revised budget (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance									
Property rates	10 632 676	10 632 676		10 632 676	-		10 632 676	- %	- %
Service charges	50 049 554	50 049 554		50 049 554	-		50 049 554	- %	- %
Investment revenue	3 710 185	3 710 185		3 710 185	-		3 710 185	- %	- %
Transfers recognised - operational	72 760 000	72 760 000		72 760 000	-		72 760 000	- %	- %
Other own revenue	836 605	836 605		836 605	-		836 605	- %	- %
Total revenue (excluding capital transfers and contributions)	**137 989 020**	**137 989 020**		**137 989 020**	**-**		**137 989 020**	**- %**	**- %**
Employee costs	(42 815 607)	(44 596 856)	-	(44 596 856)	-	8 522 937	(44 596 856)	- %	- %
Remuneration of councillors	(3 273 738)	(3 273 738)	-	(3 273 738)	-	-	(3 273 738)	- %	- %
Debt impairment	(8 749 251)	(8 749 251)		(8 749 251)	-	-	(8 749 251)	- %	- %
Finance charges	(310 830)	(310 830)	-	(310 830)	-	-	(310 830)	- %	- %
Materials and bulk purchases	(34 926 601)	(34 926 601)	-	(34 926 601)	-	4 277 807	(34 926 601)	- %	- %
Other expenditure	(43 967 308)	(43 984 755)	-	(43 984 755)	-	-	(43 984 755)	- %	- %
Total expenditure	**(134 043 335)**	**(135 842 031)**	**-**	**(135 842 031)**	**-**	**12 800 744**	**(135 842 031)**	**- %**	**- %**
Surplus/(Deficit)	**3 945 685**	**2 146 989**		**2 146 989**	**-**		**2 146 989**	**- %**	**- %**

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Surplus/(Deficit) for the year	**3 945 685**	**2 146 989**		**2 146 989**	**-**		**2 146 989**	**- %**	**- %**

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget

Detailed Income statement

Figures in Rand	Note(s)	2011	2010
Revenue			
Fines		-	83 955
Government grants & subsidies	21	-	102 809 803
Interest received	17	-	2 974 287
Other revenue		-	2 231 102
Property rates	22	-	13 692 640
Rental of facilities and equipment		-	1 055 816
Sale of goods		-	57 433
Service charges	23	-	47 375 522
Total Revenue		**-**	**170 280 558**
Expenditure			
Employee related costs	26	-	1
General Expenses	27	-	4 174 978
Repairs and maintenance		-	1
Total Expenditure		**-**	**4 174 980**
Surplus for the year		**-**	**174 455 538**

The supplementary information presented does not form part of the annual financial statements and is unaudited