

Phumelela Local Municipality
Financial Statements for the year ended
30 June 2010

I am responsible for the preparation of these annual financial statements, which are set out page 4 to 51, in terms of Section 126(1) of the Municipal Finance Management Act (Act No. 56 of 1997) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of the annual financial statements are within the upper limits of the framework envisaged in Section 94 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager
Me M.J. Mthembu

Date

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56 of 2003)

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of

Phumelela Local Municipality
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for the year ended 30 June 2010

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**Phumelela Local Municipality
General Information
for the year ended 30 June 2010**

General Information

Country of incorporation and domicile	South Africa
Nature of operations and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Legal form	An organ of state within the local sphere of government exercising legislative and executive authority.
Jurisdiction of entity	Area FS195, as a local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS195.
Grading of the Municipality	Low Capacity
Mayor/Speaker	Mr TJ Motaung
Councillors and their portfolios	Councillors of the Council: MM Kolatsoeu MI Kobeni OS Tshabalala BD Madonsela JM Mofokeng MD Nkabinde SE Tshabalala TR Zwane JH van Niekerk AC Scholtz JM Ngwenya-Sithebe DA Wessels OA Mokoena

GENERAL INFORMATION (continued)

Registered address	Civic Centre cnr. Prinsloo and Kuhn streets Vrede 9835
Postal address	Private Bag X5 Vrede 9835
Bankers	ABSA Bank
Auditors	The Auditor-General: Free State
Municipal Manager	Me M.J. Mthembu
Chief Financial Officer	Vacant
Relevant Legislation	The Constitution of the Republic of South Africa. The Municipal Structures Act, No.117 of 1998 The Municipal Systems Act, No. 32 of 2000 The Municipal Finance Management Act, No. 56 of 2003 The Municipal Property Rates Act, No. 6 of 2004 The Basic Conditions of the Employment Act 75 of 1997 The VAT Act 89 of 1991 The Skills Development Act 9 of 1999 The Water Services Act 108 of 1997

The Auditor-General will issue his report upon finalisation of the audit.

Phumelela Local Municipality
Statement of Financial Position
as at 30 June 2010

	Note	2010 R	Restated 2009 R
Assets			
Current assets		18 403 633	10 971 056
Cash and cash equivalents	1	2 391 865	(3 546 284)
Trade and other receivables from exchange transactions	2	3 917 870	5 646 015
Other receivables	3	5 696 404	2 346 663
Inventory	4	6 397 495	6 524 662
Non-current assets		194 478 862	205 023 741
Investments	5	814 984	1 418 371
Property, plant and equipment	6	157 070 998	167 012 490
Investment property carried at cost	7	36 592 880	36 592 880
Total Assets		212 882 496	215 994 797
Liabilities			
Current liabilities		20 444 055	17 107 136
Trade and other payables from exchange transactions	8	16 095 166	13 312 682
Consumer deposits	9	244 204	237 186
Unspent conditional grants and receipts	10	3 979 115	3 458 945
Current portion of borrowings	11	125 570	98 323
Non-current liabilities		3 123 870	2 820 163
Non-current borrowings	11	1 565 857	1 679 112
Non-current provisions	12	1 558 013	1 141 051
Total Liabilities		23 567 925	19 927 299
Net Assets		189 314 571	196 067 498
Net Assets		189 314 571	196 067 498
Accumulated surplus/(deficit)		189 314 571	196 067 498

Phumelela Local Municipality
Statement of Financial Performance
for the year ended 30 June 2010

	Notes	2010 R	Restated 2009 R
Revenue		94 517 982	68 853 812
Property rates	13	4 090 534	2 272 887
Services charges	14	17 635 424	13 143 522
Rental of facilities and equipment	15	631 896	326 892
Interest earned - external investments	16	179 555	197 983
Interest earned - other		2 186 232	3 756 697
Fines		94 988	47 220
Licences and permits		12 700	10 556
Government grants and subsidies	17	69 029 599	41 876 582
Other income		657 054	7 221 473
Expenditure		62 654 737	69 408 837
Employee related costs	18	18 694 741	18 501 597
Remuneration of Councillors	19	2 760 681	2 598 012
Bad debts	2	9 173 807	13 765 254
Repairs and maintenance		6 046 212	8 105 873
Depreciation and amortisation expenses	20	16 772	-
Finance costs	21	617 532	463 284
Bulk purchases	22	7 793 681	5 430 985
Operating grant expenditure	23	5 129 691	3 888 988
General expenses	25	12 421 619	16 654 844
Surplus/(deficit) for the year		31 863 246	(555 025)

Refer to Appendix D for the comparison with the approved budget

Phumelela Local Municipality
Statement of Changes in Net Assets
for the year ended 30 June 2010

	Pre- GAMAP/GRAP Reserves and Funds	Accumulated Surplus/(Deficit)	TOTAL
2008			
Balance at 1 July 2008	10 404 795	(11 970 759)	(1 565 964)
Implementation of GRAP (refer note 27)	(10 404 795)	165 363 712	154 958 917
Restated balance	-	153 392 953	153 392 953
Surplus/(deficit) for the year (as previously stated)	-	(4 918 591)	(4 918 591)
Correction of accounting errors (refer note 28)	-	31 234 285	31 234 285
Implementation of GRAP (refer note 27)	-	16 358 851	16 358 851
Restated balance at 30 June 2009	-	196 067 498	196 067 498
Assets not identified written off	-	(38 616 173)	(38 616 173)
Surplus/(deficit) for the year	-	31 863 246	31 863 246
Balance at 30 June 2010	-	189 314 571	189 314 571

Phumelela Local Municipality
Cash Flow Statement
for the year ended 30 June 2010

	Notes	2010 R	Restated 2009 R
Cash flows from operating activities			
Cash generated from / (required by) operating activities	26	22 666 888	15 224 777
Interest received		179 555	197 983
Interest paid		(617 533)	(463 284)
Net cash flows from operating activities		<u>22 228 911</u>	<u>14 959 476</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(28 691 455)	(10 089 171)
Decrease/(increase) in non-current investments		603 387	(10 776)
Net cash flows from investing activities		<u>(28 088 067)</u>	<u>(10 099 947)</u>
Cash flows from financing activities			
Increase/(decrease) in borrowings		(86 008)	(101 440)
Increase/(decrease) in consumer deposits		7 018	(6 189)
Net cash flows from financing activities		<u>(78 990)</u>	<u>(107 629)</u>
Total		<u>(5 938 147)</u>	<u>4 751 900</u>
Net increase/(decrease) in net cash and cash equivalents		<u>5 938 147</u>	<u>(4 751 900)</u>
Cash and cash equivalents at the beginning of the year		(3 546 281)	1 205 619
Cash and cash equivalents at the end of the year	1	<u>2 391 866</u>	<u>(3 546 281)</u>

1 Principal accounting policies

1.1 Basis of preparation

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The applied Standards of GRAP emanate from Directive 5, determining the GRAP Reporting Framework, issued by the Accounting Standards Board.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

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

1.2 Presentation currency

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

1.3 Going concern assumption

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

1.4 Comparative information

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification are disclosed. Where accounting errors have been identified and/or, there has been a change in accounting policy in the current year, corrections and adjustments are made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 Standards, amendments to standards and interpretations issued but not yet effective

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

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

1 Principal accounting policies (continued)

1.5 Standards, amendments to standards and interpretations issued but not yet effective (continued)

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board, the Municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 - Inventories;

GRAP 13 - Leases;

GRAP 16 - Investment Property;

GRAP 17 - Property, plant and equipment;

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;

GRAP 100 - Non-current Assets Held for sale and Discontinued Operations; and

GRAP 102 - Intangible assets

2 Property, plant and equipment

2.1 Initial recognition

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

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

Where an asset is acquired by the Municipality for no or a nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

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

2.2 Subsequent measurement - revaluation model (land and buildings)

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

2 Property, plant and equipment (continued)

2.2 Subsequent measurement - revaluation model (land and buildings) (continued)

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

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

2.3 Subsequent measurement - cost model

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

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

2.4 Depreciation and impairment

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

Infrastructure	
Roads and Paving	15 Years
Electricity	20 Years
Water	20 Years
Sewerage	20 Years
Land and buildings	
Land	Not depreciated
Buildings	30 Years
Other	
Furniture and equipment	6 Years
Computer equipment	3 Years
Other assets	10 Years
Finance lease assets	
Office equipment	Lease term

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

The Municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written

2 Property, plant and equipment (continued)

2.4 Depreciation and impairment (continued)

down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 Derecognition

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

3 Intangible assets

3.1 Initial recognition

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

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset; ☐
- the Municipality has the resources to complete the project; and
- it is probable that the Municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset 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, its deemed cost is the carrying amount of the asset(s) surrendered.

3.2 Subsequent measurement - cost model

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

3 Intangible assets (continued)

3.3 Amortisation and impairment

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

Computer software	6 Years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

3.4 Derecognition

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

4 Inventories

4.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

4.2 Subsequent measurement

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

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

4 Inventories (continued)

4.2 Subsequent measurement (continued)

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

5 Financial instruments

5.1 Initial recognition

Financial instruments are initially recognised at fair value.

5.2 Subsequent measurement

Financial assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period in which the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.2.2 Trade and other receivables

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

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

5 Financial instruments (continued)

5.2 Subsequent measurement (continued)

5.2.3 Trade payables and borrowings

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

5.2.4 Cash and cash equivalents

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

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

5.2.5 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or do not meet the classification criteria of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after financial year end.

Available-for-sale financial assets are subsequently carried at fair value, or carried at cost if fair value cannot be determined reliably (e.g. no active market or lack of reliable fair values). Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

5.2.6 Unspent conditional grants

Unspent conditional grants are liabilities that are separately reflected in the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the general public.

6 Unauthorised expenditure

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

7 Irregular expenditure

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

8 Fruitless and wasteful expenditure

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

9 Provisions

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

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

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

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

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

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The Municipality has raised a valid expectation where applicable that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

10 Leases

10.1 Municipality as lessee

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

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

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

10.2 Municipality as lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

11 Revenue

11.1 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

11 Revenue (continued)

11.1 Revenue from exchange transactions (continued)

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly.

Service charges from sewerage and sanitation are charged on both vacant and developed property using the tariffs as determined by Council and are levied monthly.
Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Interest earned on investments is recognised in the Statement of Financial Performance on the time apportioned basis

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

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

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

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

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

11.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the Municipality receives revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time apportioned basis.

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

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

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

11 Revenue (continued)

11.2 Revenue from non-exchange transactions (continued)

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

11.3 Grants ,transfers and donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 Borrowing costs

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

13 Retirement Benefits

The Municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

14 Impairment of Assets

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

Irrespective of whether there is any indication of impairment, the Municipality also: tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

14 Impairment of Assets (continued)

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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

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

	2010 R	Restated 2009 R
1 Cash and cash equivalents		
Cash and cash equivalents comprise the following:		
Balance as per cash book	272 167	(4 258 218)
Cash on hand	6 389	83 408
Money market fund	514 849	479 804
Call accounts	1 598 460	148 722
	2 391 865	(3 546 284)
1.1 The Municipality has the following bank accounts: -		
1.1.1 Current account (primary bank account)		
ABSA Bank Limited - Vrede Account number : 2260940190		
Cash book balance at beginning of year - dt (cr)	(4 258 218)	918 324
Cash book balance at end of year - dt (cr)	272 167	(4 258 218)
Bank statement balance at beginning of year - cr (dt)	(4 258 218)	918 324
Bank statement balance at end of year - cr (dt)	272 167	(4 258 218)
1.1.2 Money market fund		
ABSA Bank Limited - Vrede branch Account number: 9056988396		
Cash book balance at beginning of year	479 804	431 028
Cash book balance at end of year	514 849	479 804
Bank statement balance at beginning of year - cr (dt)	479 804	431 028
Bank statement balance at end of year - cr (dt)	514 849	479 804
1.1.3 Call accounts		
1.1.3.1 ABSA Bank Limited - Vrede branch Account number 92 1117 6952		
Cash book balance at end of year	5 146	44 575
Bank statement balance at end of year	5 146	44 575
1.1.3.2 ABSA Bank Limited - Vrede branch Account number 92 1117 7842		
Cash book balance at end of year	1 593 314	104 147
Bank statement balance at end of year	1 593 314	104 147
1.2 Cash on hand - petty cash and cash float	6 390	6 390
Cash on hand - other	-	-
	6 390	6 390
1.3 Total cash and cash equivalents	2 391 866	634 916
1.4 Total bank overdraft	-	(4 258 218)

		2010 R	Restated 2009 R	
2	Trade and other receivables from exchange transactions	Gross balances	Provision for doubtful debts	Net balance
2.1	Trade receivables from exchange transactions as at 30 June 2010	R	R	R
	Service debtors			
	Rates	6 416 014	(6 356 236)	59 778
	Electricity	2 262 367	(1 296 131)	966 236
	Water	7 900 933	(7 355 036)	545 897
	Sewerage	11 505 000	(10 422 734)	1 082 266
	Refuse	12 496 790	(11 451 483)	1 045 307
	Other	122 695	(140 253)	(17 558)
	Debtors with credit balances to payables	495 791		495 791
	Receipts not credited to debtors	(259 847)	-	(259 847)
	Total	40 939 742	(37 021 873)	3 917 870
	as at 30 June 2009			
	Service debtors			
	Rates	7 343 980	(5 246 658)	2 097 322
	Electricity	1 988 281	(1 665 672)	322 609
	Water	10 945 273	(10 420 260)	525 013
	Sewerage	14 077 393	(13 066 986)	1 010 407
	Refuse	16 575 592	(15 390 201)	1 185 391
	Other	1 592 361	(1 274 000)	318 361
	Debtors with credit balances to payables	706 189		706 189
	Receipts not credited to debtors	(519 277)	-	(519 277)
	Total	52 709 792	(47 063 777)	5 646 015
2.2	Rates: ageing			
	Current (0 – 30 days)		117 630	
	31 - 60 Days		102 090	
	61 - 90 Days		85 110	
	91 - 120 Days		88 660	
	121+ Days		6 022 524	
	Total		6 416 014	
2.3	Electricity, water and waste water: ageing			
	Current (0 – 30 days)		844 104	
	31 - 60 Days		609 807	
	61 - 90 Days		536 100	
	91 - 120 Days		573 275	
	121+ Days		18 605 827	
	Total		21 169 113	
2.4	Solid waste and housing rentals: ageing			
	Current (0 – 30 days)		83 737	
	31 - 60 Days		342 981	
	61 - 90 Days		308 245	
	91 - 120 Days		338 918	
	121+ Days		11 544 890	
	Total		12 618 769	
	Households		34 407 558	
	Business and other		5 889 433	
	Government and Schools		406 450	
			40 703 441	

	2010 R	Restated 2009 R
2 Trade and other receivables from exchange transactions (continued)		
2.5 Bad Debt Provision		
Balance at the beginning of the year	47 063 776	42 831 829
Contributions to provision	9 173 807	7 177 872
Correction of error - refer note 28	-	5 841 532
Bad debts written off against provision	(19 215 711)	(8 787 457)
Balance at the end of the year	37 021 872	47 063 776
Amounts totalling R 19 215 711 (2009: R 8 787 457) were written off as bad debts.		
Debtors are disclosed at nominal value net of provision for bad debts.		
3 Other Receivables		
Other debtors	5 696 404	2 829 279
Correction of errors (refer note 28)	-	(482 616)
Total Other Debtors	5 696 404	2 346 663
4 Inventories		
Opening balance of inventories:	6 524 662	6 342 683
Consumables	580 597	398 618
Vacant Stands - Correction of Error (refer note 28)	5 944 065	5 944 065
Water	-	-
Additions:	148 687	243 684
Consumables	65 410	243 684
Vacant Stands	-	-
Water	83 277	-
Issued (expensed):	(189 789)	(61 704)
Consumables	(189 789)	(61 704)
Vacant Stands	-	-
Water	-	-
Closing balance of inventories:	6 397 495	6 524 662
Consumables	370 153	580 597
Vacant Stands	5 944 065	5 944 065
Water	83 277	-
4.1 The Municipality has applied the measurement transitional provisions for inventory per Directive 4 of the Accounting Standards Board. Provisional amounts for inventory have been recognised as a transitional measure until all the necessary information regarding the value of the inventory has been obtained.		
4.2 The Municipality is also in the process to value and manage the total inventory of the Municipality.		
5 Investments		
5.1 Listed		
Phumelela Local Municipality had not listed investments at the reporting date.		

		R	R	
5	Investments (continued)			
5.2	Unlisted			
	Financial Instruments	Classification		
	Fixed Deposits	Call deposit	514 849	479 804
	Other Investments	Available for sale	814 984	1 418 371
			1 329 833	1 898 175
	Less: Fixed deposits transferred to cash and cash equivalents		(514 849)	(479 804)
			814 984	1 418 371
5.3	Listed			
	Phumelela Local Municipality had no listed investments at the reporting date.			
5.4	Unlisted			
	Financial Instruments	Classification		
	Other investments: shares	Available for sale	5 020	5 020
	Vrystaat Koöp Ltd - member's funds	Available for sale	161 288	154 011
	Sanlam - Investment - note 5.4.2	Available for sale	648 676	580 754
	Krynaauwslust Boerdery Trust - loan	Available for sale	-	678 586
			814 984	1 418 371
5.4.1	Unlisted shares			
	Vrystaat Koöp Ltd		5 000	5 000
	Taurus		20	20
			5 020	5 020
5.4.1.1	Estimated valuation of unlisted investments		5 020	5 020
5.4.1.2	Value of shares @ R1.00 (2009: R1.00) per share		5 020	5 020
5.4.2	Market value 30.06.2010: R 648 675 (2009 R 580 754)			
5.4.3.	Average gross rate of return on shares (cost price)		nil	nil
	Average gross rate of return on shares (valuation)		nil	nil
5.4.4	Ordinance 8 of 1962 and the Municipal Finance Management Act (56 of 2003) require that funds, trust funds and other be invested in prescribed instruments.			
5.4.5	In accordance with IAS 39.46, the shares were carried at cost as they are unlisted shares and the share price could not be determined reliably.			
5.4.6	No investments have been written off during the year.			

Phumelela Local Municipality
Notes to the Financial Statements
for the year ended 30 June 2010

6 Property, Plant and Equipment

6.1 Reconciliation of carrying value

	Land and Buildings R	Infrastructure R	Other Assets R	Stock R	Investment Property R	Total R
as at 1 July 2009	19 748 736	142 721 610	5 767 150	(124 127)	(1 100 880)	167 012 490
Cost/revaluation	19 748 736	142 721 610	5 767 150	(124 127)	(1 100 880)	167 012 490
Accumulated depreciation and impairment losses	-	-	-	-	-	-
Acquisitions	276 963	28 359 492	55 000	-	-	28 691 455
Depreciation	(11 621)	(3 777)	(1 375)	-	-	(16 773)
Impairment loss/reversal of impairment loss	-	-	-	-	-	-
Assets written off	(3 577 065)	(33 730 071)	(1 309 035)	-	-	(38 616 171)
as at 30 June 2010	16 437 013	137 347 254	4 511 740	(124 127)	(1 100 880)	157 070 998
Cost/revaluation	16 448 634	137 351 031	4 513 115	(124 127)	(1 100 880)	157 087 771
Accumulated depreciation and impairment losses	(11 621)	(3 777)	(1 375)	-	-	(16 773)

**Notes to the Financial Statements
for the year ended 30 June 2010**

6.1 Reconciliation of carrying value (continued)	Land and Buildings R	Infrastructure R	Other Assets R	Other R	Investment Property R	Total R
as at 1 July 2008	16 831 173	136 057 385	5 259 768	(124 127)	(1 100 880)	156 923 319
Cost/revaluation	-	-	-	-	-	-
Correction of error (refer note 28)	-	-	-	(44 062)	-	(44 062)
Change in accounting policy	16 831 173	136 057 385	5 259 768	(80 065)	(1 100 880)	156 967 381
Accumulated depreciation and impairment losses	-	-	-	-	-	-
Acquisitions	2 917 563	6 664 226	507 382	-	-	10 089 171
Depreciation	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
as at 30 June 2009 (restated)	19 748 736	142 721 610	5 767 150	(124 127)	(1 100 880)	167 012 490
Cost/revaluation	19 748 736	142 721 610	5 767 150	(124 127)	(1 100 880)	167 012 490
Accumulated depreciation and impairment losses	-	-	-	-	-	-

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

6.3 The Municipality has applied the measurement transitional provisions for property, plant and equipment in Directive 4 of the Accounting Standards Board. No depreciation and impairment losses (including accumulated depreciation and impairments) are recognised in the financial statements.

6.4 The Municipality is in the process to value and manage all the assets of the Municipality.

6.5 In line with paragraph 77 of Directive 4, municipalities are 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 subject to the provisions of paragraphs 79 and 80.

7 Investment property carried at cost

7.1 Reconciliation of carrying value	Land and buildings R
as at 1 July 2009	36 592 880
Cost	36 592 880
Accumulated amortisation and impairment losses	-
Impairment loss/reversal of impairment loss	-
Transfers	-
as at 30 June 2010	36 592 880
Cost	36 592 880
Accumulated amortisation and impairment losses	-
as at 1 July 2008	36 592 880
Cost	-
Correction of error (refer note 28)	35 492 000
Change in accounting policy	1 100 880
Accumulated amortisation and impairment losses	-
Impairment loss/reversal of impairment loss	-
Transfers	-
as at 30 June 2009 (restated)	36 592 880
Cost	36 592 880
Accumulated amortisation and impairment losses	-
7.2 No investment property was pledged as security for loans at year end.	
7.3 Fair value of investment property carried at cost	
7.4 The fair values of the investment properties had not been determined at year end and the municipality is in the process of engaging with valuers to obtain fair values.	

		2010 R	Restated 2009 R
7	Investment property carried at cost (continued)		
7.5	Details of investment properties		
7.5.1	The investment properties of the Municipality comprise various land and/or buildings which are let to third parties for various uses. The leaseterm for these properties range from four years to nine years.		
7.5.2	Rental income from investment property	631 896	326 467
7.6	Other disclosures		
7.6.1	The Municipality has applied the measurement transitional provisions for investment property in Directive 4 of the Accounting Standards Board. No depreciation and impairment losses (including accumulated depreciation and impairments) are recognised in the financial statements. At this stage the Municipality has recognised provisional amounts for the investment properties until all the necessary information regarding the value of the assets is obtained.		
7.6.2	The Municipality is also in the process to value and manage all assets of the Municipality.		

	2010 R	Restated 2009 R
8 Trade and other payables from exchange transactions		
Trade and other creditors	12 117 278	6 675 563
Staff leave and bonuses accrual	3 024 340	3 675 608
VAT Payable to SARS on outstanding debtors	457 757	2 255 322
Debtors with credit balances	495 791	706 189
Total creditors	16 095 166	13 312 682
8.1 The fair value of trade and other payables approximates their carrying amounts.		
9 Consumer deposits		
Town hall	15 616	9 311
Electricity and water	228 588	227 875
Total consumer deposits	244 204	237 186
9.1 No interest accrues on the balance of the Consumer Deposits held		
9.2 No guarantees are kept in lieu of deposits.		
10 Unspent Conditional Grants and Receipts		
10.1 Unspent Conditional Grants from other spheres of Government		
MIG Grants	454 260	1 648 238
Social development grant	1 400 000	-
COGTA	(166 578)	-
DWAF	35 726	-
Free State Local Government grant - waste site	445 000	-
DWAF - drought relief	1 810 707	1 810 707
Total Unspent Conditional Grants and Receipts	3 979 115	3 458 945
10.2 Refer note 17 and Appendix E for reconciliation of grants from other spheres of government. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.		
11 Borrowings		
Annuity loans	1 691 427	1 777 435
Less : Current portion transferred to current liabilities		
Annuity loans	(125 570)	(98 323)
Total borrowings	1 565 857	1 679 112
11.1 All annuity loans are from The Development Bank of South Africa and endowments are made on a six monthly basis. The last loan will be redeemed at 31 December 2015. The loans carry interest between 11% and 14% per annum.		
11.2 Refer to Appendix A for more details on borrowings.		

	2010 R	Restated 2009 R
12 Non-Current Provisions		
Provision for post retirement benefits	1 108 013	1 141 051
Provision for rehabilitation of landfill sites	450 000	-
Total Non-Current Provisions	1 558 013	1 141 051
12.1 Provision for post retirement benefits		
The movement in the provision for post retirement benefits is reconciled as follows: -		
Balance at the beginning of year	1 141 053	-
Change in accounting policy (refer note 27)	-	1 230 468
Contribution for the year	156 275	155 449
Expenditure for the year	(156 275)	(155 449)
Actuarial loss / (gain)	(33 040)	(89 417)
Balance at the end of year	1 108 013	1 141 051
12.2 The post retirement benefit plan is a defined benefit plan.		
12.3 Post Retired Members		
The members comprise the following :		
12.3.1 Continuation members: i.e. Retired (old age or ill health)	9	9
Total members	9	9
12.3.2 Continuation members	1 108 013	1 141 051
Total liability	1 108 013	1 141 051
12.4 The municipality contributes on a monthly basis to the following medical aid scheme: Keyhealth		
12.5 Key Assumptions		
12.5.1 Rate of interest		
Discount rate	6%	6%
Health care cost inflation rate	10%	10%
12.5.2 Mortality rates		
Life expectancy tables were used in the calculations		
12.6 Provision for rehabilitation for landfill sites		
Provision of R150 000 per site as per quotation.		
13 Property Rates		
13.1 Actual		
Government	508 736	608 679
Residential and Commercial	1 999 157	1 664 208
Agricultural properties	1 582 641	-
Total	4 090 534	2 272 887
13.2 Valuations		
13.2.1 Urban properties		
Government	116 058 900	62 154 520
Residential and other	743 877 520	215 781 520
	859 936 420	277 936 040

		2010 R	Restated 2009 R
13	Property Rates (continued)		
13.2	Valuations (continued)		
13.2.2	Rural properties		
	Government	231 431 000	-
	Private	58 21 780 000	-
		<u>60 53 211 000</u>	<u>-</u>
	Total property valuations	<u>69 13 147 420</u>	<u>277 936 040</u>
13.3	Valuation of land and improvements is performed every five years. The last general valuation came into effect on 1 July 2009.		
13.4	The assessment rates are levied on market value as follows:		
	Property	Rate	
	Residential - total less R 45 000	R 0.00420/R	
	Business/Government - total less R45 000	R 0.00600/R	
	Government rebate 30%		
	Schools - total less R 45 000 and a rebate of 30 %	R 0.00600/R	
	*Farms - 2009/10: 25%; 2010/11: 50%; 2011/12: 75%	R 0.00105/R	
	*The rate for agricultural properties is the effective rate, net of any rebates up to and including 75% of the rebates granted in terms of the policy on property rates.		
14	Service charges		
	Sale of electricity	4 743 489	2 342 994
	Sale of water	3 428 613	2 979 591
	Waste management	4 628 477	4 183 120
	Waste water management	4 834 846	3 637 817
	Total Service Charges	<u>17 635 425</u>	<u>13 143 522</u>
15	Rental of facilities and equipment		
	Rental of facilities	631 896	326 467
	Rental of equipment	-	425
	Total rentals	<u>631 896</u>	<u>326 892</u>
16	Interest earned - external investments		
	ABSA Bank - current account	16 569	-
	ABSA Bank and Sanlam - investments	162 986	197 983
	Total interest	<u>179 555</u>	<u>197 983</u>
17	Government grants and subsidies		
17.1	Equitable share	3 751 767	7 480 853
	Actually received	35 457 581	26 923 770
	Directly utilised for subsidised services	(31 705 814)	(19 442 917)

	2010 R	Restated 2009 R
17 Government grants and subsidies (continued)		
17.2 Conditional grants		
FMG	2 750 000	1 250 000
MSIG	735 000	735 000
MIG	18 221 512	6 148 902
DBSA	450 300	438 300
COGTA	9 018 739	-
DWAF	764 274	700 000
Thetha	-	1 019 000
Local Government	132 193	-
National Government	-	100 000
Provincial Government	1 500 000	189 925
District Municipality	-	4 371 685
Total government grant and subsidies	69 029 599	41 876 582
17.3 Unspent Conditional Grants of a previous period were set-off against the equitable share.		
17.4 The free basic water and electricity provided by the Municipality are recoverable from the equitable share grant.		
17.5 Equitable share		
17.5.1 In terms of the Constitution, this grant is utilised to subsidise the provision of basic services to indigent community members and free basic water and electricity to the remainder of the community. All consumers receive a monthly subsidy which is credited to their accounts.		
17.6 MIG Grant		
Balance unspent at beginning of year	(1 648 238)	(2 093 440)
Current year receipts	(17 027 533)	(5 703 700)
As per the financial records	(17 907 300)	(5 703 700)
Unspent conditional grants recovered	879 767	-
Conditions met - transferred to revenue (capital expenditure)	18 221 512	6 148 902
Conditions still to be met - remain liabilities (see note 8)	(454 259)	(1 648 238)
17.6.1 The grant is utilised to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure providing basic services for the benefit of poor households. The grant was used to construct roads, sewerage and water infrastructure as part of the upgrading of informal settlement areas.		
17.6.2 Included in the unspent MIG Grant are retention monies and suretyship withheld from various projects financed by MIG.		

	R	R
17 Government grants and subsidies (continued)		
17.7 Financial management grant		
Balance unspent at beginning of year	-	-
Current year receipts	(2 750 000)	(1 250 000)
Conditions met - transferred to revenue	2 750 000	1 250 000
Conditions still to be met - remain liabilities (see note 8)	<u>-</u>	<u>-</u>
17.7.1 The purpose of the grant is to promote and support reforms to financial management and implementation of the Municipal Finance Management Act (MFMA).		
17.8 MSIG grant		
Balance unspent at beginning of year	-	-
Current year receipts	(735 000)	(735 000)
Conditions met - transferred to revenue	735 000	735 000
Conditions still to be met - remain liabilities (see note 8)	<u>-</u>	<u>-</u>
17.8.1 The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the local Government Municipal Systems Act of 2000.		
17.9 DWAF		
Balance unspent at beginning of year	(1 801 707)	(1 801 707)
Current year receipts	(800 000)	(700 000)
Conditions met - transferred to revenue	764 274	700 000
Conditions still to be met - remain liabilities (see note 8)	<u>(1 837 433)</u>	<u>(1 801 707)</u>
17.9.1 The conditions of the grant have been met and no monies have been withheld.		
17.10 COGTA		
Balance unspent at beginning of year	-	-
Current year receipts	(8 852 162)	-
Conditions met - transferred to revenue	9 018 739	-
Conditions still to be met - remain asset (see note 8)	<u>166 577</u>	<u>-</u>
17.10.1 The conditions of the grant have been met and no monies have been withheld.		

17 **Government grants and subsidies (continued)**

17.11 **COGTA**

Balance unspent at beginning of year

Current year receipts

Conditions met - transferred to revenue

Conditions still to be met - remain liabilities (see note 8)

-	-
(1 845 000)	-
-	-
(1 845 000)	-

17.11.1 The conditions of the grant must still be met.

17.12 **Changes in levels of government grants**

According to the allocations per the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

18 **Employee Related Costs**

Employee related costs - salaries and wages

Employee related costs - contributions for UIF, pensions and medical aid schemes

Travel, motor car, accommodation, subsistence and other allowances

Housing benefits and allowances

Overtime payments

Performance and other bonuses

Other employee related costs

Total employee related costs

14 057 028	13 421 224
2 364 420	1 919 336
481 112	375 391
32 550	30 604
1 145 686	730 700
434 501	1 868 759
179 446	155 583
18 694 743	18 501 597

18.1 **Remuneration of the Municipal Manager**

Annual remuneration

Performance- and other bonuses

Travel, motor car, accommodation, subsistence and other allowances

Contributions to UIF, medical and pension funds

Total

436 800	420 000
-	-
144 000	108 000
-	-
580 800	528 000

18.2 **Remuneration of individual executive managers**

2010

Annual remuneration

Performance- and other bonuses

Travel, motor car, accommodation, subsistence and other allowances

Contributions to UIF, medical and pension funds

Total

Technical services R	Corporate services R
314 783	308 682
-	20 958
120 000	135 483
-	-
434 783	465 123

18 **Employee related costs (continued)**

2010
R

Restated
2009
R

18.2 **Remuneration of individual executive managers (continued)**

	Technical services R	Corporate services R
2009		
Annual remuneration	336 360	327 307
Performance- and other bonuses	-	20 959
Travel, motor car, accommodation, subsistence and other allowances	90 000	99 000
Contributions to UIF, medical and pension funds	-	-
Total	426 360	447 266
19 Remuneration of Councillors		
Mayor	572 108	545 869
Councillors' allowances	2 188 573	2 052 143
Total Councillors' remuneration	2 760 681	2 598 012
19.1 In-kind benefits		
The Mayor/ Speaker is a full-time councillor. He is provided with an office and secretarial support at the cost of the Council.		
The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act,		
20 Depreciation and amortisation expenses		
Property Plant and Equipment	16 772	-
20.1 Refer to note 6, 7 and 8 for the measurement transitional provisions applied regarding the measurement of property, plant and equipment, intangible assets and investment properties respectively.		
21 Finance costs		
Borrowings	617 532	463 284
Total finance costs	617 532	463 284
22 Bulk purchases		
Electricity	7 538 003	5 348 729
Water	255 678	82 256
Total bulk purchases	7 793 681	5 430 985
23 Operating grant expenditure		
Total grants and subsidies utilised	69 029 599	41 876 582
Less:		
Equitable share	(35 457 581)	(26 923 770)
Capital expenditure grants (MIG)	(28 442 327)	(11 063 824)
Total operating grant expenditure	5 129 691	3 888 988

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	2010 R	Restated 2009 R
24 Cash and cash equivalents		
24.1 Cash and cash equivalents included in the cash flow statement		

comprise the following:

Bank balances and cash

Bank overdrafts

Net cash and cash equivalents (net of bank overdrafts)

2 391 866	634 916
-	(4 258 218)
2 391 866	(3 623 302)

25 **General expenses**

Included in general expenses are the following:-

Advertising

Audit fees

Bank charges

Chemicals

Entertainment

Fuel and oil

Insurance

Legal expenses

Licence fees - computers

Membership fees

Printing and stationery

Professional fees

Rental of office equipment

Telephone cost

Training

Travel and subsistence

Uniforms & overalls

Valuation costs

Other

133 871	91 821
1 136 099	1 306 538
203 728	239 396
930 847	643 607
26 735	20 940
757 589	1 273 488
487 689	431 826
304 781	325 741
227 251	287 292
110 748	74 338
360 395	246 364
2 060 270	334 031
1 847 203	1 093 718
604 489	786 396
176 937	54 322
577 802	405 228
239 873	212 769
-	228 000
2 235 312	8 599 029
12 421 619	16 654 844

26 **Cash Generated by Operations**

Surplus/(deficit) for the year

Adjustment for:-

Finance costs

Interest earned

VAT on bad debts written-off

Bad debts written-off

Leave paid

Depreciation

Contributions to non-current provisions

Contributions to leave and bonus provisions

Contributions to bad debt provision

Operating surplus before working capital changes

31 863 246	(555 025)
617 532	463 284
(179 555)	(197 983)
-	745 849
(19 215 711)	(8 787 457)
125 276	-
16 772	-
416 960	(89 415)
525 992	(995 604)
9 173 807	13 019 404
23 344 320	3 603 053

26 **Cash Generated by Operations (continued)**

(Increase)/decrease in inventories

(Increase)/decrease in trade receivables

(Increase)/decrease in other receivables

2010	Restated
R	2009
	R
127 167	(181 980)
1 728 145	4 554 728
(3 349 741)	2 385 556

Increase/(decrease) in conditional grants and receipts	(1 965 487)	(861 685)
Increase/(decrease) in trade payables	2 782 484	5 725 105
Cash generated by/(utilised in) operations	22 666 888	15 224 777

27 **Change in Accounting Policy**

The following adjustments were made to amounts previously reported in the annual financial statements arising from the implementation of new accounting policies and changes to existing policies:

Balances 30 June 2008

Re-classify Capital Development Fund	7 848 459
Re-classify Erven Fund	2 556 336
Re-classify loans redeemed and other capital receipts	156 269 450
Re-classify land sold as part of stock	(80 065)
Provision post retirement benefits	(1 230 468)
	165 363 712

Surplus/(deficit) for the year ended 30 June 2009

Re-classify Capital Development Fund	692 565
Re-classify Erven Fund	93 884
Loans redeemed	101 438
Assets acquired with own funds	415 792
Stands for sale included in inventory	5 900 003
Provision for employee bonuses	(607 626)
Grants and donations received	9 673 380
Loss on post retirement benefit provision	89 415
	16 358 851

28 **Correction of Errors**

The following errors were corrected in terms of GRAP 3: Accounting Policies, Changes in Accounting Estimates and Errors.

Correction of Errors for the year ended 30 June 2009

Unspent grant corrected	3 020 758
Shares not previously included in financial statements	5 000
Investment Sanlam - interest not included previous years	272 386
Consumer deposit corrected	510
Provision for bad debts	(5 841 532)
Debtors balance corrected	(7 193)
Correction of VAT payable to SARS on outstanding debtors	(1 222 649)
Investment property introduced	35 492 000
Bad debts written-off	(745 849)
Interest on outstanding double payment	324 944
Input Vat corrected	(61 710)
Creditors corrected	(2 378)
Net change surplus/deficit for the year ended 30 June 2009	31 234 285

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**Phumelela Local Municipality
Notes to the Financial Statements
for the year ended 30 June 2010**

	2010 R	Restated 2009 R
29 Unauthorised, irregular, fruitless and wasteful expenditure disallowed		
29.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Expenditure 2004/2005	1 219 232	1 219 232

Expenditure 2005/2006	-	-
Expenditure 2006/2007	11 870 717	11 870 717
Expenditure 2007/2008	13 337 573	13 337 573
Expenditure 2008/2009	7 435 965	7 435 965
Expenditure current year - See note 29.1.1	-	-
Unauthorised expenditure awaiting authorisation	33 863 487	33 863 487
<hr/>		
29.1.1 Unauthorised expenditure for 2009/10 approved by Council on 12 October 2010.		
29.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Expenditure 2004/2005	954 260	954 260
Expenditure 2005/2006	-	-
Expenditure 2006/2007	132 579	132 579
Expenditure 2007/2008	380 573	380 573
Expenditure 2008/2009	486 775	486 775
Expenditure current year	113 093	-
Fruitless and wasteful expenditure awaiting condonement	2 067 280	1 954 187
<hr/>		
29.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Expenditure 2004/2005	21 620 425	21 620 425
Expenditure 2005/2006	276 215	276 215
Expenditure 2006/2007	3 867 413	3 867 413
Expenditure 2007/2008	9 949 112	9 949 112
Expenditure 2008/2009	4 366 598	4 366 598
Expenditure current year	9 092 134	-
Irregular expenditure awaiting condonement	49 171 897	40 079 763
<hr/>		
30 Additional disclosures in terms of Municipal Finance Management Act		
30.1 Contributions to organised local government		
Opening balance	-	-
Council subscriptions	110 748	74 338
Amount paid - current	(110 748)	(74 338)
Balance unpaid (included in payables)	-	-
<hr/>		

	2010 R	Restated 2009 R
30 Additional disclosures in terms of Municipal Finance Management Act (continued)		
30.2 Audit fees		
Opening balance	-	-
Current year audit fee	1 136 098	1 306 538
Amount paid - current year	(579 320)	-
Amount paid - previous years	-	(1 306 538)

Balance unpaid (included in payables)	556 778	-
30.2.1 No provision was made for the 2009/10 financial period.		
30.3 VAT		
VAT (refundable)/payable	(2 787 046)	(1 140 113)
30.3.1 The Municipality is registered on the cash basis for VAT purposes		
30.3.2 VAT returns have been submitted on the due dates.		
30.4 PAYE and UIF		
Opening balance	-	107 739
Current year payroll deductions	1 631 224	1 416 988
Amount paid - current year	(1 631 224)	(1 524 727)
Balance unpaid (included in payables)	-	-
30.5 Pension and medical aid fund deductions		
Opening balance	-	188 978
Current year payroll deductions and Council Contributions	3 346 708	2 679 960
Amount paid - current year	(3 346 708)	(2 868 938)
Balance unpaid (included in payables)	-	-
30.6 Councillor's arrear consumer accounts		
MI Kobeni	1 620	-
JM Ngwenya-Sithebe	3 294	-
	4 914	-
31 Capital commitments		
31.1 Commitments in respect of capital expenditure		
- Approved and contracted for	3 800 206	1 648 238
Infrastructure	3 800 206	1 648 238
- Approved but not yet contracted for	21 340 428	-
Infrastructure	20 090 428	-
Community	600 000	-
Other	650 000	-

	2010 R	Restated 2009 R
31 Capital commitments (continued)		
This expenditure will be financed from:		
- Government grants	15 490 634	1 648 238
- District Municipality	7 500 000	-
- Own Resources	2 150 000	-
Total	25 140 634	1 648 238
32 Operating leases		
32.1 Operating leases – as lessor		

Minimum lease payments due

Within one year	186 620
In second to fifth year inclusive	216 347
After five years	8 813
Total	411 781

- 32.2 Operating leases - terms and conditions
Some of the Municipality's assets are held to generate rental income.
Lease agreements are non-cancellable and have multi year terms.
Contingent rents receivable - nil.

32.3 **Operating leases – as lessee**
Minimum lease payments due

Within one year	874 462
In second to fifth year inclusive	798 938
After five years	-
Total	1 673 400

Operating lease payments represent rentals payable by the Municipality for certain of its office equipment. Leases are negotiated for an average term of between three and five years and rentals escalate with 15% p.a.

33 **Retirement benefit information**

33.1 **Defined contribution plan**

- 33.1.1 The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:
- Vrystaat Munisipale Pensioenfonds
- Free State Municipal Provident Fund
- South African Local Authorities Pension Fund
- South African Municipal Worker's Union National Provident Fund
- 33.1.2 The valuation for the Vrystaat Munisipale Pensioenfonds was still in progress at the time of reporting. This was for the period as at 30 June 2007.

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Phumelela Local Municipality
Notes to the Financial Statements
for the year ended 30 June 2010

	2010 R	Restated 2009 R
33 Retirement benefit information (continued)		
33.1 Defined contribution plan (continued)		
33.1.3 The Free State Municipal Provident Fund: Last actuarial valuation - 30 June 2007. The valuation was done by A Nel from Alexander Forbes Financial Services. The estimated liability of the fund is R526 239 000, which is adequately financed by assets of R525 655 000. Even though the fund reflected a minor deficit of R584 000, the Valuator still maintained that the fund was in a sound financial position at the valuation date.		
33.1.4 The South African Local Authorities Pension Fund: Last actuarial valuation - 1 July 2007. The valuation was done by J.F Roslee and		

M.J Newman from Genesis Actuarial Solutions. The valuation indicates that the fund was in a sound financial position at valuation date. The estimated liability of the fund was R5 580 300 000, which was adequately financed by assets of R6 138 721 000.

- 33.1.5 The South African Municipal Workers Union National Provident Fund: Last actuarial valuation - 30 June 2005. The valuation was done by E.J Potgieter from Fifth Quadrant. The valuation indicates that the fund was in a sound financial position at valuation date. The estimated liability of the fund was R1 447 663 000 which was adequately financed by assets of R1 511 461 000.

- 33.1.6 The above plans were all treated as defined contribution plans.

33.2 Defined benefit plan

- 33.2.1 The Municipality applied the following exemption regarding all the defined benefit plans:

- They are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that:

where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, it should be accounted for as defined contribution plans.

The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

34 Contingent liabilities

34.1	Department: Water Affairs - dispute	24 066 492	16 000 000
34.2	Paul Steyn Boerdery (Pty) Ltd - damages allegedly suffered	984 300	984 300
34.3	Gr 8 Business & Financial Solutions - services allegedly rendered	493 794	493 794
34.4	Hentiq 2715 (Pty) Ltd - alleged breach of contract	756 550	
34.5	P. Mofokeng & 96 learners - alleged breach of contract	768 000	
34.6	Snowline Trading CC - monies allegedly owing	852 862	
		27 921 998	17 478 094

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Phumelela Local Municipality Notes to the Financial Statements for the year ended 30 June 2010

		2010 R	Restated 2009 R
35	Contingent assets		
35.1	Contingent assets at the reporting date - nil.		
36	In-kind donations and assistance		
36.1	The Municipality did not receive any in-kind donations and assistance during the current financial year.		
37	Related parties		
37.1	Post employment benefit plan for employees of municipality and/or other related parties. Refer to note 33 for the details.		
37.2	Compensation to Councillors and other key management (refer to notes 18 and 19)		

38 **Forensic investigations**

The Auditor -General has investigated alleged irregularities during the period 1 March 2005 and 30 June 2007.

The Auditor-general has issued a draft report . Council will consider and respond once the report is final.

39 **Events after the reporting date**

- 39.1 No material fact or circumstance has occurred between the accounting date and the date of this report to which reference is required

40 **Key sources of estimation uncertainty and judgements**

- 40.1 The following areas involve a significant degree of estimation uncertainty:

Provision for doubtful debts	37 021 872	47 063 776
------------------------------	-------------------	------------

- 40.2 Based on existing knowledge, it is reasonably possible that outcomes within the next financial year that are different from assumptions made could require a material adjustment to the carrying amount of certain assets and liabilities.

41 **Risk management**

41.1 **Maximum credit risk exposure**

- 41.1.1 Credit risk consists mainly of cash deposits, cash equivalents, investments and trade debtors. The Municipality currently only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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Phumelela Local Municipality
Notes to the Financial Statements
for the year ended 30 June 2010

	2010	Restated
	R	2009
		R
41 Risk management (continued)		
41.1 Maximum credit risk exposure(continued)		
41.1.2 Financial assets exposed to credit risk at year end were:		
ABSA Bank: Current Account	272 167	-
ABSA Bank: Money Market Account	514 849	479 804
ABSA Bank: Call accounts	1 598 460	148 722
Investment: Sanlam	306 368	306 368
Investment: Vrystaat Koöp Ltd.	161 288	154 011
Loan: Krynaauwslust Boerdery Trust	-	678 586
Trade and other receivables	-	-
Balances represent the maximum exposure to credit risk.		
41.2 Liquidity risk		

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

41.2.2 Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

41.2.3 The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within one year	Later than one year and not later than two years
2010		
Borrowings	125 570	120 000
Trade and other payables	16 095 166	-
	Later than two years and not later than five years	Later than five years
2010		
Borrowings	1 195 857	250 000
Trade and other payables	-	-
	Within one year	Later than one year and not later than two years
2009		
Borrowings	86 008	125 570
Trade and other payables	13 312 682	-
	Later than two years and not later than five years	Later than five years
2009		
Borrowings	1 190 288	375 570
Trade and other payables	-	-

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**Phumelela Local Municipality
Notes to the Financial Statements
for the year ended 30 June 2010**

	2010 R	Restated 2009 R
41 Risk management (continued)		
41.3 Interest rate risk		
41.3.1 The Municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.		
41.3.2 At year end, financial instruments exposed to interest rate risk were:		
- ABSA Bank: overdraft		(4 258 218)
- Development Bank of South Africa loan	(1 691 427)	(1 777 435)
41.4 Other price risk		
41.4.1 The Municipality's price risk arises from the shares held at Taurus and Vrystaat Koöp Ltd. The Municipality holds a specific number of shares, of which their value depend on the share price		

at year end. These shares are not listed on any stock exchange.

41.4.2	Management's valuation of unlisted investments	5 020	5 020
	Average gross rate of return on investments	nil	nil

42 **Restatement of comparative information**

42.1 Provision for audit fees, leave and bonuses have been reclassified as accruals. The effect of the restatement is summarised below:

42.2 **Statement of Financial Position:**

Provisions	4 232 386
Accruals - audit fees	(556 778)
Accruals - leave and bonuses	(3 675 608)
	<u><u>-</u></u>

43 **Comparison with the budget**

43.1 The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D.

44 **Municipal Entity**

In terms of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) the Krynaauwslust Boerdery Trust is a municipal entity.

In terms of the Municipal Finance Management Act, 2003 (Act nr 56 of 2003) the Krynaauwslust Boerdery Trust is not a municipal entity, therefore no consolidated annual financial statements were required in terms of sec 126(1)(b)

The Trust has during the financial year disposed of all its assets. The proceeds of the sale is uncertain. The Municipality is however the sole capital and income beneficiary of the trust and as such has a expectation to receive the income and the capital of the trust on the dissolution of the trust . The latter date is uncertain

Phumelela Local Municipality
Schedule of external loans
for the year ended 30 June 2010

Appendix A

External loans	Loan number	Redeemable date	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010	Cost Price of Property, Plant & Equipment	Asset capitalised	Depreciation period	Other costs in accordance with MFMA
			R	R	R	R	R			R
Long term loans										
DBSA Loan @ 12.00%	102	2017	336 499	-	27 023	309 476	494 640	1997	20 Years	
DBSA Loan @ 17.00%	103	2019	1 218 290	-	47 631	1 170 659	1 419 745	1999	20 Years	
DBSA Loan @ 12.60%	101	2015	144 860	-	7 460	137 400	250 000	1985	20 Years	
DBSA Loan @ 13.45%	101	2015	77 786	-	3 894	73 892	130 000	1985	20 Years	
Total external loans			<u>1 777 435</u>		<u>86 008</u>	<u>1 691 427</u>	<u>2 294 385</u>			

Appendix B

Analysis of Property, Plant and Equipment as at 30 June 2010

	Cost / revaluation					Accumulated depreciation					Assets written off	Carrying value
	Opening balance	Additions	Disposals	Revaluations	Closing balance	Opening balance	Depreciation	Disposals	Impairment loss/reversal of impairment loss	Closing balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land and buildings												
Land and buildings	18 508 238	276 963	-	-	18 785 201	-	(11 621)	-	-	(11 621)	(3 577 065)	15 196 515
	18 508 238	276 963	-	-	18 785 201	-	(11 621)	-	-	(11 621)	(3 577 065)	15 196 515
Infrastructure												
Water main and other	48 417 421	2 754 309	-	-	51 171 730	-	(698)	-	-	(698)	(1 216 883)	49 954 149
Electricity main and other	7 125 426	280 434	-	-	7 405 860	-	(333)	-	-	(333)	(1 305 908)	6 099 619
Sewerage main and other	70 874 907	10 490 626	-	-	81 365 533	-	-	-	-	-	(27 778 438)	53 587 095
Roads	17 338 429	14 834 124	-	-	32 172 553	-	(2 746)	-	-	(2 746)	(3 428 842)	28 740 965
	143 756 183	28 359 492	-	-	172 115 675	-	(3 777)	-	-	(3 777)	(33 730 071)	138 381 827
Other assets												
Furniture and equipment	977 013	-	-	-	977 013	-	-	-	-	-	(688 553)	288 460
Computer equipment	503 256	-	-	-	503 256	-	-	-	-	-	(396 380)	106 876
Motor vehicles	2 893 410	55 000	-	-	2 948 410	-	(1 375)	-	-	(1 375)	(63 880)	2 883 155
Other assets	374 389	-	-	-	374 389	-	-	-	-	-	(160 222)	214 167
	4 748 068	55 000	-	-	4 803 068	-	(1 375)	-	-	(1 375)	(1 309 035)	3 492 658
Total	167 012 489	28 691 455	-	-	195 703 944	-	(16 773)	-	-	(16 773)	(38 616 171)	157 070 998

Analysis of Property, Plant and Equipment
for the year ended 30 June 2010

Appendix B (continued)

Analysis of Property, Plant and Equipment as at 30 June 2010

	Cost / revaluation					Accumulated depreciation					Assets written off	Carrying value
	Opening balance	Additions	Disposals	Revaluations	Closing balance	Opening balance	Depreciation	Disposals	Impairment loss/reversal of impairment loss	Closing balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land and buildings												
Land and buildings	15 590 675	2 917 563	-	-	18 508 238	-	-	-	-	-	-	18 508 238
	15 590 675	2 917 563	-	-	18 508 238	-	-	-	-	-	-	18 508 238
Infrastructure												
Water main and other	47 487 063	930 358	-	-	48 417 421	-	-	-	-	-	-	48 417 421
Electricity main and other	7 125 426	-	-	-	7 125 426	-	-	-	-	-	-	7 125 426
Sewerage main and other	67 180 638	3 694 269	-	-	70 874 907	-	-	-	-	-	-	70 874 907
Roads	15 298 830	2 039 598	-	-	17 338 429	-	-	-	-	-	-	17 338 429
	137 091 958	6 664 226	-	-	143 756 183	-	-	-	-	-	-	143 756 183
Other assets					374 389							
Furniture and equipment	918 841	58 172	-	-	977 013	-	-	-	-	-	-	977 013
Computer equipment	394 436	108 820	-	-	503 256	-	-	-	-	-	-	503 256
Motor vehicles	2 606 812	286 598	-	-	2 893 410	-	-	-	-	-	-	2 893 410
Other assets	320 597	53 792	-	-	374 389	-	-	-	-	-	-	374 389
	4 240 686	507 382	-	-	4 748 068	-	-	-	-	-	-	4 748 068
Total	156 923 318	10 089 171	-	-	167 012 489	-	-	-	-	-	-	167 012 489

Phumelela Local Municipality
Segmental Analysis of Property, Plant and Equipment
for the year ended 30 June 2010

Appendix C

Segmental analysis of Property, Plant and Equipment as at 30 June 2010

Description	Cost / revaluation						Accumulated depreciation						Carrying value
	Opening balance	Additions	Revaluations	Assets written off	Disposals	Closing balance	Opening balance	Depreciation	Impairment	Transfers	Disposals	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
2010													
Council & executive	818 097	-	-	-	-	818 097	-	-	-	-	-	-	818 097
Property services	10 091 448	103 450	-	(4 822 220)	-	5 372 678	-	(11 621)	-	-	-	(11 621)	5 361 057
Roads	22 422 431	14 834 124	-	(3 492 722)	-	33 763 833	-	(2 746)	-	-	-	(2 746)	33 761 087
Sport & recreation	2 111 754	-	-	-	-	2 111 754	-	-	-	-	-	-	2 111 754
Waste management	1 813 190	105 810	-	-	-	1 919 000	-	(1 375)	-	-	-	(1 375)	1 917 625
Waste water management	70 960 458	10 490 626	-	(27 778 438)	-	53 672 646	-	-	-	-	-	-	53 672 646
Water	48 455 763	2 754 309	-	(1 216 883)	-	49 993 189	-	(698)	-	-	-	(698)	49 992 491
Electricity	7 186 248	280 434	-	(1 305 908)	-	6 160 774	-	(333)	-	-	-	(333)	6 160 441
Planning and development	2 026 431	-	-	-	-	2 026 431	-	-	-	-	-	-	2 026 431
Housing	1 118 444	-	-	-	-	1 118 444	-	-	-	-	-	-	1 118 444
Community services	8 225	122 703	-	-	-	130 927	-	-	-	-	-	-	130 927
Total	167 012 489	28 691 455	-	(38 616 171)	-	157 087 773	-	(16 773)	-	-	-	(16 773)	157 070 998

Segmental Analysis of Property, Plant and Equipment
for the year ended 30 June 2010

Appendix C (continued)

Segmental analysis of Property, Plant and Equipment as at 30 June 2010

Description	Cost / revaluation						Accumulated depreciation						Carrying value
	Opening balance	Additions	Revaluations	Assets written off	Disposals	Closing balance	Opening balance	Depreciation	Impairment	Transfers	Disposals	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
2009													
Council & executive	651 105	166 992	-	-	-	818 097	-	-	-	-	-	-	818 097
Property services	6 906 585	3 184 863	-	-	-	10 091 448	-	-	-	-	-	-	10 091 448
Roads	20 332 901	2 089 531	-	-	-	22 422 431	-	-	-	-	-	-	22 422 431
Sport & recreation	2 088 596	23 158	-	-	-	2 111 754	-	-	-	-	-	-	2 111 754
Waste management	1 813 190	-	-	-	-	1 813 190	-	-	-	-	-	-	1 813 190
Waste water management	67 266 189	3 694 269	-	-	-	70 960 458	-	-	-	-	-	-	70 960 458
Water	47 525 405	930 358	-	-	-	48 455 763	-	-	-	-	-	-	48 455 763
Electricity	7 186 248	-	-	-	-	7 186 248	-	-	-	-	-	-	7 186 248
Planning and development	2 026 431	-	-	-	-	2 026 431	-	-	-	-	-	-	2 026 431
Housing	1 118 444	-	-	-	-	1 118 444	-	-	-	-	-	-	1 118 444
Community services	8 225	-	-	-	-	8 225	-	-	-	-	-	-	8 225
Total	156 923 318	10 089 171	-	-	-	167 012 489	-	-	-	-	-	-	167 012 489

Phumelela Local Municipality
Segmental Statement of Financial Performance
for the year ended 30 June 2010

Appendix D

2009	2009	2009		2010	2010	2010	2010	2010
Actual income	Actual expenditure	Surplus / (deficit)		Actual income	Actual expenditure	Surplus / (deficit)	Budgeted surplus / (deficit)	Under / (over) - expenditure
R	R	R		R	R	R	R	R
1 530 587	6 692 652	(5 162 065)	Executive and Council	707 251	6 670 088	(5 962 837)	(6 426 436)	463 599
29 713 044	19 235 438	10 477 606	Finance	41 235 149	12 768 166	28 466 983	(3 682 592)	32 149 575
2 648 587	3 367 815	(719 228)	Corporate services	989 131	2 539 360	(1 550 229)	(1 875 484)	325 255
	153 658	(153 658)	Planning & development	21 969	272 067	(250 098)	(328 598)	78 500
44 175	44 175	-	Health	-	39 182	(39 182)	(39 000)	(182)
1 801 162	1 838 930	(37 768)	Community & social services	174 593	1 844 512	(1 669 919)	(673 656)	(996 263)
45 902	-	45 902	Public safety	94 300	365 012	(270 712)	110 700	(381 412)
	1 607 818	(1 607 818)	Sport & recreation		1 583 619	(1 583 619)	(1 678 216)	94 597
1 327 318	5 706 605	(4 379 287)	Roads transport	12 390	4 539 741	(4 527 351)	(6 878 001)	2 350 650
7 291 912	7 244 726	47 186	Waste management	12 128 131	7 091 829	5 036 302	6 152 666	(1 116 364)
8 007 860	7 788 669	219 191	Waste water management	11 823 195	7 580 226	4 242 969	3 319 984	922 985
8 240 455	7 872 784	367 671	Electricity	15 683 052	10 539 069	5 143 983	4 687 929	456 054
8 202 812	7 855 569	347 243	Water	11 648 823	6 821 867	4 826 956	3 390 490	1 436 466
68 853 814	69 408 839	(555 025)	Total	94 517 984	62 654 738	31 863 245	(3 920 214)	35 783 459

Phumelela Local Municipality
Disclosure of Grants and Subsidies in terms of Sections 123 of the MFMA, Act 56 of 2003
for the year ended 30 June 2010

Appendix E

Grant Description	Balance as at 1 July 2009	Other adjustments	Current year receipts	Operating expenditure during the year (transferred to revenue)	Capital expenditure during the year (transferred to revenue)	Balance as at 30 June 2010
	R	R	R	R	R	R
District Municipality Grants						
Zamani sewer	-	-	-	-	-	-
Provincial Government Grants						
Waste disposal site	-	-	(445 000)	-	-	(445 000)
Social development grant	-	-	(1 400 000)	-	-	(1 400 000)
CFO grant	-	-	(111 583)	111 583	-	-
COGTA	-	-	(8 852 162)	-	9 018 739	166 577
National Government Grants						
Equitable share	-	-	(35 457 581)	35 457 581	-	-
FMG	-	-	(2 750 000)	2 750 000	-	-
MSIG	-	-	(735 000)	735 000	-	-
MIG	(1 648 238)	-	(17 027 533)	-	18 221 512	(454 259)
DWAF	(1 801 707)	-	(800 000)	764 274	-	(1 837 433)
Other Grants and Subsidies						
DBSA	-	-	(450 300)	450 300	-	-
Grant - capacity building	-	-	(1 500 000)	1 500 000	-	-
Grant - town planning and survey	-	-	(20 610)	20 610	-	-
Total	<u>(3 449 945)</u>	<u>-</u>	<u>(69 549 769)</u>	<u>41 789 348</u>	<u>27 240 251</u>	<u>(3 970 115)</u>

Phumelela Local Municipality
Disclosure of Grants and Subsidies in terms of Sections 123 of the MFMA, Act 56 of 2003
for the year ended 30 June 2010

Appendix F

Grant and subsidies received																
Type of Grants	Name of organ of state or municipal entity	Quarterly receipts				Quarterly expenditure				Grants and subsidies delayed/ withheld				Reason for delay withholding of funds	Did your Municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Jul	Dec	Mar	Jun	Jul	Dec	Mar	Jun	Jul	Dec	Mar	Jun			
Equitable share	Nat Treasury				35 457 581				35 457 581				-	n/a	Yes	n/a
MIG	Nat Treasury				17 027 533				18 221 511				-	n/a	Yes	n/a
FMG	Nat Treasury				2 750 000				2 750 000				-	n/a	Yes	n/a
MSIG	Nat Treasury				735 000				735 000				-	n/a	Yes	n/a
DM - sewer Zamani	DM				-				-				-	n/a	Yes	n/a
COGTA - roads/sew/wat	COGTA				8 852 162				9 018 739				-	n/a	Yes	n/a
DWAF - bulk infrastructure	DWAF				800 000				764 274				-	n/a	Yes	n/a
DBSA - ta strategy	DBSA				450 300				450 300				-	n/a	Yes	n/a
P Gov - recovery plan	COGTA				1 500 000				1 500 000				-	n/a	Yes	n/a
P Gov - CFO grant	COGTA				111 583				111 583				-	n/a	Yes	n/a
P Gov - refuse dump	COGTA				445 000				-				-	n/a	Yes	n/a
P Gov - social dev grant	COGTA				1 400 000				-				-	n/a	Yes	n/a
Prov Gov - town planning	COGTA				20 610				20 610				-	n/a	Yes	n/a
		-	-	-	69 549 769	-	-	-	69 029 598	-	-	-	-			