

**XHARIEP DISTRICT MUNICIPALITY**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2011**



I am responsible for the preparation of these annual financial statements, which are set out on page 4 to 52, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 17 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
**T.L. Mkhwane (Mr.)**  
**Municipal Manager**

\_\_\_\_\_  
Date

**XHARIEP DISTRICT MUNICIPALITY  
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FOR THE YEAR ENDED 30 JUNE 2011**

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**GENERAL INFORMATION**

Country of incorporation and domicile	Republic of South Africa
Nature of operations and principal activities	Administering and making rules of the district, which includes Kopanong Local Municipality, Letsemeng Local Municipality and Mohokare Local Municipality.
Legal form	An organ of state within the local sphere of government exercising legislative and executive authority.
Jurisdiction of entity	Area DC16, a district municipality, as demarcated by the Demarcation Board and indicated in the demarcation map.
Grading of the Municipality	Low Capacity
Mayor	Cllr M Ntwanambi
Councillors and their portfolios	<p><b><u>Speaker:</u></b> Cllr AM Shasha Cllr MJ Sehanka - Inaugurated 6 June 2011</p> <p><b><u>Members of Mayoral Committee:</u></b> Cllr M Ntwanambi Cllr T Reachable Cllr KE Dlomo Cllr V Mona Cllr MG Modise - Inaugurated 6 June 2011 Cllr V Mona - Inaugurated 6 June 2011 Cllr I Mehlomakhulu - Inaugurated 6 June 2011</p> <p><b><u>Chief Whip:</u></b> Cllr TL Reachable Cllr I Mehlomakhulu - Inaugurated 6 June 2011</p> <p><b><u>Councillors of the Council:</u></b> Cllr NB Shiya Cllr BS Majenge Cllr RJ Thuhlo Cllr MA Kwinani Cllr MJ Ralithare Cllr AJ Van Rensburg Cllr M Du Toit</p>

**Inaugurated 6 June 2011**

Cllr P Dibe  
Cllr NS Jafta  
Cllr MM Khotlele  
Cllr MJ Mohapi  
Cllr MJ Mphore  
Cllr JJ Makitle  
Cllr SA Sola  
Cllr NC Spochter  
Cllr H Shebe  
Cllr AJ Van Rensburg

Registered address

20 Louw Street  
Trompsburg  
9913

**XHARIEP DISTRICT MUNICIPALITY**

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**GENERAL INFORMATION**

**FOR THE YEAR ENDED 30 JUNE 2011**

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**GENERAL INFORMATION (continued)**

Postal address

P.O. Box 136  
Trompsburg  
9913

Bankers

ABSA Bank

Auditors

The Office of the Auditor-General: Free State

Municipal Manager

TL Mkhwane

Chief Financial Officer

CT Panyani

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 Basic Conditions of Employment Act 75 of 1997  
The VAT Act 89 of 1991  
The Skills Development Act 9 of 1999  
The Division of Revenue Act 1 of 2007

**XHARIEP DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

		<b>2011</b>	<b>RESTATED</b>
	Note	<b>R</b>	<b>2010</b>
			<b>R</b>
<b>ASSETS</b>			
<b>Current assets</b>			
		<b>16 679 215</b>	<b>11 759 123</b>
Cash and cash equivalents	1	6 390 149	6 013 417
Trade receivables from exchange transactions	2	2 224 968	861 354
Other receivables from exchange transactions	3	6 147 828	3 772 821
Inventory	4	-	-
Current portion of non-current receivables	5	-	-
VAT receivable	9	1 916 270	1 111 531
<b>Non-current assets</b>			
		<b>20 851 779</b>	<b>18 024 741</b>
Non-current receivables	5	-	-
Property, plant and equipment	6	20 311 603	17 484 565
Intangible assets	7	540 176	540 176
<b>Total Assets</b>		<b>37 530 994</b>	<b>29 783 864</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
		<b>5 434 253</b>	<b>5 730 902</b>
Trade and other payables from exchange transactions	8	4 368 780	4 203 825
Unspent conditional grants and receipts	10	667 526	1 272 560
Current portion of finance lease liabilities	11	397 947	254 517
<b>Non-current liabilities</b>			
Non-current finance lease liability	11	362 289	760 193
<b>Total Liabilities</b>		<b>5 796 542</b>	<b>6 491 095</b>
<b>NET ASSETS</b>		<b>31 734 452</b>	<b>23 292 769</b>
<b>NET ASSETS</b>			
Accumulated Surplus		<b>31 734 452</b>	<b>23 292 769</b>

**XHARIEP DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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	Notes	<b>2011</b> R	<b>RESTATED</b> <b>2010</b> R
<b>REVENUE</b>		<b>45 264 547</b>	<b>26 043 659</b>
Rental income	12	290 957	224 661
Interest earned	13	382 910	927 464
Gain on disposal of assets	14	-	62 603
Government grants and subsidies	15	44 574 270	24 824 459
Other income		16 410	4 472
<b>EXPENDITURE</b>		<b>36 822 864</b>	<b>29 844 611</b>
Employee related costs	16	19 206 915	14 821 133
Remuneration of Councillors	17	2 625 754	2 385 759
Bad debts and impairment of debtors movement		( 659 603)	364 809
Depreciation and amortisation expense	18	-	-
Repairs and maintenance	19	1 989 813	1 920 532
Finance costs	20	457 045	121 746
Loss on disposal of assets	14	45 220	-
General expenses	22	13 157 720	10 230 632
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>		<b>8 441 683</b>	<b>(3 800 952)</b>

Refer to Appendix E for the comparison with the approved budget

**XHARIEP DISTRICT MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Accumulated Surplus R	TOTAL R
<b>Restated balance at 30 June 2009</b>		<b>27 034 508</b>	<b>27 034 508</b>
Surplus / (Deficit) for the year		(3 800 952)	(3 800 952)
Correction of prior period errors	<b>27.1</b>	(26 754)	(26 754)
Correction of prior period errors	<b>27.2</b>	85 967	85 967
<b>Restated Balance at 30 June 2010</b>		<b>23 292 769</b>	<b>23 292 769</b>
Surplus / (Deficit) for the year		8 441 683	8 441 683
<b>Balance at 30 June 2011</b>		<b>31 734 452</b>	<b>31 734 452</b>

**XHARIEP DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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	Notes	2011 R	RESTATED 2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and others	24	40 235 849	23 167 923
Cash paid to suppliers and employees	25	(36 760 678)	(26 241 500)
Cash generated from / (required by) operating activities	26	6 108 805	(3 073 667)
Interest received		382 910	927 464
Finance costs		( 457 045)	( 121 746)
<b>Net cash flows from operating activities</b>		<b>6 034 670</b>	<b>(2 267 949)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(5 609 562)	(3 358 843)
Proceeds from sale of property, plant and equipment		778 504	238 545
Purchase of intangible assets		-	131 579
Decrease/(increase) in non-current receivables		-	-
<b>Net cash flows from investing activities</b>		<b>(4 831 058)</b>	<b>(2 988 719)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase /(Decrease) in finance lease liabilities		( 254 474)	1 094 536
Repayment of finance lease liabilities		( 572 406)	( 301 800)
<b>Net cash flows from financing activities</b>		<b>( 826 880)</b>	<b>792 736</b>
<b>Net increase/(decrease) in net cash and cash equivalents</b>		<b>376 732</b>	<b>(4 463 932)</b>
Cash and cash equivalents at the beginning of the year		6 013 417	10 477 349
Cash and cash equivalents at the end of the year	1	6 390 149	6 013 417



## **1 BASIS OF ACCOUNTING**

### **1.1 BASIS OF PRESENTATION**

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives, 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.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3.

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 and/or relevant note to the financial statements.

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" and Directive 7: "The application of deemed cost on the adoption of Standards of GRAP" 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 17 - Property, plant and equipment;  
GRAP 102 - Intangible assets.

### **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.

The municipality cannot continue to operate without receiving government grants. However the going concern assumption is based on the fact that according to DoRA the municipality will continue to receive government grants for the next three years.

### **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.

## **1 BASIS OF ACCOUNTING (continued)**

### **1.4 COMPARATIVE INFORMATION (continued)**

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

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

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

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 21 Impairment of Non-cash generating Assets

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

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

GRAP 25 Employee benefits

GRAP 26 Impairment of Cash Generating Assets - issued March 2009

GRAP 103 Heritage Assets - issued July 2008

GRAP 104 Financial Instruments

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

There were no impending changes in accounting policy at year end.

## **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.

## **2 PROPERTY, PLANT AND EQUIPMENT (continued)**

### **2.1 INITIAL RECOGNITION (continued)**

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

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

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

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

### **2.2 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.

### **2.3 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:

#### **Other**

Buildings	30
Computer equipment	3 - 7
Other vehicles	5 - 7
Office equipment	3 - 7
Furniture and fittings	7 - 10

#### **Finance lease assets**

Office equipment	The shorter of asset's useful life or the lease term
Other assets	The shorter of asset's useful life or the 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.

## **2 PROPERTY, PLANT AND EQUIPMENT (continued)**

### **2.3 DEPRECIATION AND IMPAIRMENT (continued)**

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

### **2.4 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, it's deemed cost is the carrying amount of the asset(s) given up.

### **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 the 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2011**

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**3 INTANGIBLE ASSETS (continued)**

**3.3 AMORTISATION AND IMPAIRMENT**

Amortisation is charged so as to write off the cost 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	3 - 5 Years
Right to use land	The shorter of right to use land or useful life

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 (consumable stores) consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

**4.2 SUBSEQUENT MEASUREMENT**

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
FOR THE YEAR ENDED 30 JUNE 2011**

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**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 surplus or deficit, 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 that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**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.

**5.2.3 TRADE PAYABLES AND BORROWINGS**

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

**5 FINANCIAL INSTRUMENTS (continued)**

**5.2 SUBSEQUENT MEASUREMENT (continued)**

**5.2.4 CASH AND CASH EQUIVALENTS**

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

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

**6 FRUITLESS AND WASTEFUL EXPENDITURE**

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

**7 UNAUTHORISED EXPENDITURE**

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

**8 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.

**9 LEASES**

**9.1 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.

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## **9 LEASES (continued)**

### **9.1 MUNICIPALITY AS LESSEE (continued)**

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

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

### **9.2 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.

## **10 REVENUE**

### **10.1 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.

Interest revenue is recognised on a time proportion basis.

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

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.

### **10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

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



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## **10 REVENUE (continued)**

### **10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)**

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.

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.

### **10.3 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.

## **11 RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. 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 triennially 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.

## **12 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.

## 12 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.

A 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.

	2011 R	RESTATED 2010 R
<b>1 CASH AND CASH EQUIVALENTS</b>		
<b>Cash and cash equivalents consist of the following:</b>		
Cash at bank	1 346 663	216 256
Cah on hand	82	-
Call deposits	11 431	1 666 444
Fixed deposits	5 031 973	4 130 717
	<u><u>6 390 149</u></u>	<u><u>6 013 417</u></u>
 <b>The Municipality has the following bank accounts: -</b>		
<b><u>Current Account (Primary Bank Account)</u></b>		
ABSA Bank Limited - Brandwag Branch Account Number 4053628182		
Cash book balance at beginning of year	<u>216 256</u>	<u>504 773</u>
Cash book balance at end of year	<u>1 346 663</u>	<u>216 256</u>
Bank statement balance at beginning of year	<u>216 506</u>	<u>512 487</u>
Bank statement balance at end of year	<u>1 347 005</u>	<u>216 506</u>
 <b><u>Call deposits</u></b>		
ABSA Bank Limited - Trompsburg branch Account number: Various		
Cash book balance at beginning of year	<u>1 666 444</u>	<u>9 972 576</u>
Cash book balance at end of year	<u>11 431</u>	<u>1 666 444</u>
Bank statement balance at beginning of year	<u>1 666 444</u>	<u>9 972 576</u>
Bank statement balance at end of year	<u>11 431</u>	<u>1 666 444</u>
 <b><u>Fixed Deposits</u></b>		
First National Bank - Trompsburg branch Account number: Various		
Cash book balance at beginning of year	<u>4 130 717</u>	<u>-</u>
Cash book balance at end of year	<u>5 031 973</u>	<u>4 130 717</u>
Bank statement balance at beginning of year	<u>4 130 717</u>	<u>-</u>
Bank statement balance at end of year	<u>5 031 973</u>	<u>4 130 717</u>
 <b><u>Cash on hand</u></b>	<u>-</u>	<u>-</u>
Total cash and cash equivalents	<u><u>6 390 149</u></u>	<u><u>6 013 417</u></u>

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Impairment of Debtors	Net Balance
	R	R	R
<b>Trade receivables</b>			
<b>as at 30 June 2011</b>			
Building and facilities rental	2 228 008	( 3 040)	2 224 968
<b>Total</b>	<b>2 228 008</b>	<b>( 3 040)</b>	<b>2 224 968</b>
<b>as at 30 June 2010</b>			
Building and facilities rental	1 540 469	( 679 115)	861 354
<b>Total (restated)</b>	<b>1 540 469</b>	<b>( 679 115)</b>	<b>861 354</b>

	RESTATE	
	2011 R	2010 R
<b>Building and Facilities Rentals: Ageing</b>		
Current (0 – 30 days)	418 222	106 137
31 - 60 Days	66 489	26 688
61 - 90 Days	53 183	25 970
91 - 120 Days	29 922	25 844
121 - 150 Days	29 922	25 781
151 - 180 Days	26 605	25 502
+ 180 Days	1 603 665	1 304 547
<b>Total</b>	<b>2 228 008</b>	<b>1 540 469</b>

<b>Provision for impairment of debtors</b>		
Balance at the beginning of the year (as previously stated)	679 116	332 946
Contributions to / (from) provision	( 676 076)	346 170
Bad debts written off against provision	-	-
<b>Balance at the end of the year</b>	<b>3 040</b>	<b>679 116</b>

No amounts were written off during the current and prior financial year.

Debtors were disclosed at nominal value net of provision for doubtful debts.

Summary of Debtors by Customer Classification	Industrial / Commercial	National, Provincial and Local Government
	<b>2011</b>	
Current (0 – 30 days)	8 952	409 270
31 - 60 Days	19 965	46 524
61 - 90 Days	6 660	46 523
91 - 120 Days	6 660	23 262
121 - 150 Days	6 660	23 262
151 - 180 Days	3 345	23 260
+ 180 Days	-	1 603 665
<b>Sub-total</b>	<b>52 242</b>	<b>2 175 766</b>
Less: Provision for doubtful debts	-	( 3 040)
<b>Total debtors by customer classification</b>	<b>52 242</b>	<b>2 172 726</b>

	2011 R	RESTATED 2010 R
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<b>Summary of Debtors by Customer Classification</b>		
	<b>Industrial / Commercial</b>	<b>National, Provincial and Local Government</b>
<b>2010</b>		
Current (0 – 30 days)	2 193	103 944
31 - 60 Days	-	26 688
61 - 90 Days	-	25 970
91 - 120 Days	-	25 844
121 - 150 Days	-	25 781
151 - 180 Days	-	25 502
+ 180 Days	200	1 304 347
Sub-total	<u>2 393</u>	<u>1 538 076</u>
Less: Provision for doubtful debts	( 2 193)	( 676 922)
<b>Total debtors by customer classification</b>	<b><u>200</u></b>	<b><u>861 154</u></b>

**Trade and other receivables past due but not impaired**

Trade and other receivables from exchange transactions which were past due where not impaired at year end due to the following:  
 Xhariep District Municipality is indebted to Kopanong Local Municipality to an amount equal to impaired debt less the subsequent receipts received.

1 298 016	861 154
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**3 SUNDRY RECEIVABLES**

Other debtors	947 780	382 931
Accrued income	5 176 340	3 376 030
Prepayments	23 708	13 860
<b>Total Sundry Receivables</b>	<b><u>6 147 828</u></b>	<b><u>3 772 821</u></b>

Debtors were disclosed at nominal value net of provision for doubtful debts.

**4 INVENTORIES**

**Opening balance of inventories:**

Consumable stores	-	-
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**Additions:**

Consumable stores	-	-
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**Issued (expensed):**

Consumable stores	-	-
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**Write-down to Net Replacement Value (NRV)**

Consumable stores	-	-
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**Closing balance of inventories:**

Consumable stores	-	-
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Consumable stores of the municipality consist of the following:

- Stationery
- Building cleaning material
- Other office supplies

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	<b>2011</b>	<b>RESTATED</b>
	<b>R</b>	<b>2010</b>
		<b>R</b>
<b>4 INVENTORIES (continued)</b>		
<p>At year end the municipality did not have sufficient information to measure inventory used during the financial year and inventory on hand at year end. The Municipality will record inventory on the detailed inventory register with sufficient information to determine the value of inventory used during the financial year and the value of inventory on hand at year end. The Municipality has applied the measurement transitional provisions for inventory in Directive 4 of the Accounting Standards Board. As a result the Municipality has recognised inventory at R0 provisional amounts until all the necessary information regarding the value of the inventory is obtained.</p>		

	<b>2011</b>	<b>RESTATED</b>
	<b>R</b>	<b>2010</b>
		<b>R</b>
<b>5 NON-CURRENT RECEIVABLES</b>		
Car loans	80 313	241 352
Less: Current portion transferred to current receivables	-	-
Less: Provision for impairment of debtors	( 80 313)	( 241 352)
<b>Total</b>	<u>-</u>	<u>-</u>
<b>Provision for impairment of debtors</b>		
Balance at the beginning of the year	241 351	222 713
Contributions to provision	6 310	18 638
Bad debts written off against provision	( 167 348)	-
<b>Balance at the end of the year</b>	<u><b>80 313</b></u>	<u><b>241 351</b></u>

The car loan of Mr.P.Pitso was written off during the year in response to a resolution passed by Council in this regard.

Debtors were disclosed at nominal value net of provision for bad debts.

**6 PROPERTY, PLANT AND EQUIPMENT**

<b>6.1 Reconciliation of Carrying Value</b>	<b>Building</b>	<b>Work in Progress</b>	<b>Other Assets</b>	<b>Finance lease assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2010</b>	<b>13 257 213</b>	<b>1 221 227</b>	<b>1 713 597</b>	<b>1 292 528</b>	<b>17 484 565</b>
Cost	13 257 213	1 221 227	1 863 368	1 292 528	17 634 336
Accumulated depreciation and impairment losses	-	-	( 149 771)	-	( 149 771)
Acquisitions	1 948 526	733 291	2 927 745	-	5 609 562
Depreciation	-	-	-	-	-
<b>Carrying value of disposals</b>	<b>-</b>	<b>(1 954 518)</b>	<b>( 828 006)</b>	<b>-</b>	<b>(2 782 524)</b>
Cost/Revaluation	-	(1 954 518)	( 828 006)	-	(2 782 524)
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
<b>as at 30 June 2011</b>	<b>15 205 739</b>	<b>-</b>	<b>3 813 336</b>	<b>1 292 528</b>	<b>20 311 603</b>
Cost/Revaluation	15 205 739	-	3 963 107	1 292 528	20 461 374
Accumulated depreciation and impairment losses	-	-	( 149 771)	-	( 149 771)

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

**6 PROPERTY, PLANT AND EQUIPMENT (Continued)**

**6.2 Reconciliation of Carrying Value**

	Building R	Work in Progress R	Other Assets R	Finance lease assets R	Total R
<b>as at 1 July 2009</b>	<b>13 257 213</b>	-	<b>1 006 421</b>	<b>187 800</b>	<b>14 451 434</b>
Cost	13 257 213	-	1 006 421	187 800	14 451 434
Accumulated depreciation and impairment losses	-	-	-	-	-
Acquisitions	-	1 221 227	1 032 888	1 104 728	3 358 843
Depreciation	-	-	-	-	-
<b>Carrying value of disposals</b>	-	-	<b>( 175 941)</b>	-	<b>( 175 941)</b>
Cost/Revaluation	-	-	( 175 941)	-	( 175 941)
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	( 149 771)	-	( 149 771)
<b>as at 30 June 2010</b>	<b>13 257 213</b>	<b>1 221 227</b>	<b>1 713 597</b>	<b>1 292 528</b>	<b>17 484 565</b>
Cost/Revaluation	13 257 213	1 221 227	1 863 368	1 292 528	17 634 336
Accumulated depreciation and impairment losses	-	-	( 149 771)	-	( 149 771)

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



NOTES TO THE FINANANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

6 PROPERTY, PLANT AND EQUIPMENT (Continued)

6.2 Reconciliation of Carrying Value (continued)

The land on which the Administrative Building of Xhariep District Municipality is built is owned by Kopanong Local Municipality. As per the contract to use the land, certain events should take place before the land can be sold to Xhariep District Municipality.

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

6.3 Transitional provisions applied and progress made

Cost prices and purchase dates of most of the municipality's assets were not available at year end to calculate depreciation for the year (incl. backlog depreciation). However the municipality is in the process of obtaining market values to use as deemed cost prices in accordance with Directive 7 of the Accounting Standards Board. This process will be performed in-house and with the assistance of 'Valuators' where supporting documentation for the specific assets or similar assets cannot be obtained to assign a deemed cost in line with Directive 7. This information should be finalised within the next three financial years (measurement period).

The following quantities of assets were included in the Municipality's fixed asset register at R0 value and no acquisition dates respectively:

DESCRIPTION	R0 VALUE	NO PURCHASE DATES	TOTAL QUANTITIES
Buildings	-	-	1
Other assets (Note A)	665	528	891
Finance leased assets	-	-	30
<b>TOTAL</b>	<b>665</b>	<b>528</b>	<b>922</b>

Note A - Included in other assets are Motor Vehicles, Equipment, Furniture and Fittings and Computer Equipment.

As per the table above, there is still a lot of work to be done in the next two financial years.

The Municipality has applied the measurement transitional provisions of property, plant and equipment as included in Directive 4 of the Accounting Standards Board. As a result no depreciation (including accumulated depreciation) were recognised in the financial statements. Impairment expense was however recognised for all fixed assets that were broken down/outdated beyond the economical means of repair/upgrade and all fixed assets that were lost (stolen).

**7 INTANGIBLE ASSETS**

<b>7.1 Reconciliation of carrying value</b>	<b>Right to use land</b>	<b>Computer Software</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>
<b>as at 1 July 2010</b>	-	<b>540 176</b>	<b>540 176</b>
Cost	-	540 176	540 176
Accumulated amortisation and impairment losses	-	-	-
Acquisitions	-	-	-
Amortisation	-	-	-
<b>Carrying value of disposals</b>	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
<b>as at 30 June 2011</b>	-	<b>540 176</b>	<b>540 176</b>
Cost	-	540 176	540 176
Accumulated amortisation and impairment losses	-	-	-
<b>7.2 Reconciliation of carrying value</b>			
<b>as at 1 July 2009</b>	-	<b>408 598</b>	<b>408 598</b>
Cost	-	408 598	408 598
Accumulated amortisation and impairment losses	-	-	-
Acquisitions	-	131 578	131 578
Amortisation	-	-	-
<b>Carrying value of disposals</b>	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
<b>as at 30 June 2010</b>	-	<b>540 176</b>	<b>540 176</b>
Cost	-	540 176	540 176
Accumulated amortisation and impairment losses	-	-	-

**7 INTANGIBLE ASSETS (continued)**

**7.3 Transitional provisions applied and progress made**

Cost prices and purchase dates of most of the municipality's assets were not available at year end to calculate depreciation/impairment expense for the year (incl. backlog depreciation). However the municipality is in the process of obtaining market values to use as deemed cost prices in accordance with Directive 7 of the Accounting Standards Board. This process will be performed in-house and with the assistance of 'Valuators' where supporting documentation for the specific assets or similar assets cannot be obtained to assign a deemed cost in line with Directive 7. This information should be finalised within the next three financial years (measurement period).

The following quantities of assets were included in the Municipality's fixed asset register at R0 value and no acquisition dates respectively:

<b>DESCRIPTION</b>	<b>R0 VALUE</b>	<b>NO PURCHASE DATES</b>	<b>TOTAL QUANTITIES</b>
Computer software	-	-	<b>4</b>
Right to use land	1	-	<b>1</b>
<b>TOTAL</b>	<b>1</b>	<b>-</b>	<b>5</b>

As per the table above, it is clear that great progress has been made and only one out of five intangibles assets still has to be valued.

The Municipality has applied the measurement transitional provisions for intangible assets as included in Directive 4 of the Accounting Standards Board. As a result no depreciation and impairment losses (including accumulated depreciation and impairments) were recognised in the financial statements.

	2011 R	RESTATED 2010 R
<b>8 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
Trade creditors	2 301 090	1 629 768
Other creditors	373 712	352 685
Staff leave accrual	1 147 211	804 532
Staff bonuses accrual	546 767	440 573
Audit fees accrual	-	955 800
Accrued interest: Finance leases		20 467
<b>Total creditors</b>	<b>4 368 780</b>	<b>4 203 825</b>

The fair value of trade and other payables approximates their carrying amounts.

**9 VALUE ADDED TAX**

**9.1 VAT RECEIVABLE**

VAT receivable	1 916 270	1 111 531
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The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.

**10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**10.1 Unspent Conditional Grants from other spheres of Government**

Financial Management Grant	-	-
Municipal Systems Implementation Grant	156 936	28 679
Provincial Infrastructure Grant	474 510	1 207 801

**10.2 Other Unspent Conditional Grants and Receipts**

THETHA Grant	36 080	36 080
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**Total Unspent Conditional Grants and Receipts**

<b>667 526</b>	<b>1 272 560</b>
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See note 14 (and Appendix F) 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 FINANCE LEASE LIABILITY**

**2011**

**Amounts payable under finance leases**

	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Within one year	664 339	266 392	397 947
Within two to five years	432 356	70 067	362 289
	<u>1 096 695</u>	<u>336 459</u>	<u>760 236</u>

Less: Amount due for settlement within 12 months (current portion)			( 397 947)
			<u>362 289</u>

The average lease term is 3 years and the average effective borrowing rate is 22.35%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate at 10%/15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

	2011 R	RESTATED 2010 R
<b>11 FINANCE LEASE LIABILITY (continued)</b>		
<b>2010</b>		
	<b>Minimum lease payment R</b>	<b>Future finance charges R</b>
		<b>Present value of minimum lease payments R</b>
<b>Amounts payable under finance leases</b>		
Within one year	607 223	352 706
Within two to five years	1 096 651	336 458
	<u>1 703 874</u>	<u>689 164</u>
Less: Amount due for settlement within 12 months (current portion)		( 254 517)
		<u>760 193</u>
<p>The average lease term is 3 years and the average effective borrowing rate is 22.35%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate at 10%/15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.</p>		
<b>12 RENTAL INCOME</b>		
Rental of office space	288 676	222 600
Rental of facilities	2 281	2 061
<b>Total rental income</b>	<u>290 957</u>	<u>224 661</u>
<b>13 INTEREST EARNED</b>		
Current bank account	11 961	71 640
Money market and call accounts	166 392	796 020
Outstanding receivables	201 486	56 853
Electricity deposit	3 071	2 951
<b>Total interest</b>	<u>382 910</u>	<u>927 464</u>
<b>14 GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		
Proceeds from sale of assets	778 504	238 545
Less book value of disposed assets	( 823 724)	( 175 942)
Cost price	( 823 724)	( 175 942)
Less accumulated depreciation	-	-
<b>Gain/(Loss) on disposal of assets</b>	<u>( 45 220)</u>	<u>62 603</u>
<p>The Municipality has applied the measurement transitional provisions for property, plant and equipment as included in Directive 4 of the Accounting Standards Board. As a result no depreciation and impairment losses (including accumulated depreciation and impairments) were recognised in the financial statements.</p> <p>Refer to note 6 and note 7 for further details and progress on the transitional provisions applied.</p>		
<b>15 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>42 219 236</b>	<b>21 210 750</b>
Equitable share	15 186 457	12 010 750
COGTA and Treasury Financial Assistance Grant	27 032 779	9 200 000

	2011 R	RESTATED 2010 R
<b>15 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>Conditional Grants</b>	<b>2 355 034</b>	<b>3 613 709</b>
Financial Management Grant	1 000 000	1 000 000
Municipal Systems Implementation Grant	621 743	780 350
Provincial Infrastructure Grant	733 291	1 392 199
THETHA Grant	-	441 160
<b>Total Government Grant and Subsidies</b>	<b>44 574 270</b>	<b>24 824 459</b>
No grants were withheld due to unfulfilled conditions.		
<b>15.1 Equitable Share</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year accrued	15 186 457	12 010 750
Conditions met - transferred to revenue	(15 186 457)	(12 010 750)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
Equitable share has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.		
<b>15.2 COGTA and Treasury Financial Assistance Grant</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	27 032 779	9 200 000
Conditions met - transferred to revenue	(27 032 779)	(9 200 000)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
The financial assistance grant has no conditions and can be used to finance the capital and operating activities of the Municipality in line with the Municipality Budget.		
<b>15.3 Financial Management Grant (FMG)</b>		
<b>Balance unspent at beginning of year</b>	-	-
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue (operating expenditure)	(1 000 000)	(1 000 000)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>-</b>	<b>-</b>
The purpose of the grant is to promote and support reforms to financial management and implementation of the Municipal Finance Management Act (MFMA)		
<b>15.4 Municipal Systems Infrastructure Grant (MSIG)</b>		
<b>Balance unspent at beginning of year</b>	28 679	131 473
Current year receipts	750 000	735 000
Conditions not met - returned to National Treasury	-	(57 444)
Conditions met - transferred to revenue	(621 743)	(780 350)
<b>Conditions still to be met - remain liabilities (see note 10)</b>	<b>156 936</b>	<b>28 679</b>
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.		

	2011 R	RESTATED 2010 R
15	<b>GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>	
15.5	<b>Provincial Infrastructure Grant (PIG)</b>	
	<b>Balance unspent at beginning of year</b>	
	1 207 801	-
	-	2 600 000
	Current year receipts	
	( 733 291)	(1 392 199)
	Conditions met - transferred to revenue	
	<b>474 510</b>	<b>1 207 801</b>
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	
	The grant is used to subsidise municipal capital budget to eradicate backlogs in municipal infrastructure. The grant was specifically allocated for the completion of the sewerage treatment network which will later be transferred to Kopanong Local Municipality at no cost.	
15.6	<b>THETHA Grant</b>	
	<b>Balance unspent at beginning of year</b>	
	36 080	90 240
	-	387 000
	Current year receipts	
	-	( 441 160)
	Conditions met - transferred to revenue	
	<b>36 080</b>	<b>36 080</b>
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	
	Grant will be used for Capacity Building of the Municipality.	
15.7	<b>Total Grants</b>	
	<b>Balance unspent at beginning of year</b>	
	1 272 560	221 713
	43 969 236	25 932 750
	Current year receipts	
	-	( 57 444)
	Conditions not met - returned to National Treasury	
	(44 574 270)	(24 824 459)
	Conditions met - transferred to revenue	
	<b>667 526</b>	<b>1 272 560</b>
	<b>Conditions still to be met - remain liabilities (see note 10)</b>	
15.8	<b>Changes in levels of government grants</b>	
	Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.	
16	<b>EMPLOYEE RELATED COSTS</b>	
	Employee related costs - Salaries and Wages	
	13 285 087	10 391 992
	2 798 355	1 800 591
	Employee related costs - Contributions for UIF, pensions and medical aids	
	2 070 531	1 735 154
	Travel, motor car, accommodation, subsistence and other allowances	
	122 185	100 080
	Housing benefits and allowances	
	930 757	793 316
	Bonuses under remuneration	
	<b>19 206 915</b>	<b>14 821 133</b>
	<b>Total Employee Related Costs</b>	
	<b>Remuneration of the Municipal Manager</b>	
	Annual Remuneration	
	525 964	526 832
	Bonuses under remuneration	
	44 011	29 870
	Travel, motor car, accommodation, subsistence and other allowances	
	311 241	266 300
	Contributions to UIF, Medical and Pension Funds	
	141 406	50 407
	<b>1 022 622</b>	<b>873 409</b>
	<b>Total</b>	
	<b>Remuneration of the Chief Finance Officer</b>	
	Annual Remuneration	
	502 305	454 985
	Bonuses under remuneration	
	41 834	37 915
	Travel, motor car, accommodation, subsistence and other allowances	
	366 787	198 400
	Contributions to UIF, Medical and Pension Funds	
	9 524	7 994
	<b>920 450</b>	<b>699 294</b>
	<b>Total</b>	

	2011 R	RESTATED 2010 R
<b>16 EMPLOYEE RELATED COSTS (continued)</b>		
<b>Remuneration of the Corporate Director</b>		
Annual Remuneration	547 566	385 636
Bonuses under remuneration	45 678	12 638
Travel, motor car, accommodation, subsistence and other allowances	162 581	116 558
Contributions to UIF, Medical and Pension Funds	24 965	11 100
<b>Total</b>	<b>780 790</b>	<b>525 932</b>
<b>Remuneration of the Director: Planning and Development</b>		
Annual Remuneration	308 686	254 497
Bonuses under remuneration	22 627	20 397
Travel, motor car, accommodation, subsistence and other allowances	138 230	63 120
Contributions to UIF Medical and Pension Funds	73 206	27 970
<b>Total</b>	<b>542 749</b>	<b>365 984</b>
<b>17 REMUNERATION OF COUNCILLORS</b>		
Mayor	577 526	588 321
Speaker	504 356	466 452
Mayoral Committee allowances	940 309	955 218
Councillors' allowances	603 563	375 768
<b>Total Councillors' Remuneration</b>	<b>2 625 754</b>	<b>2 385 759</b>
<b>In-kind Benefits</b>		
The Mayor and Speaker are full-time councillors. Each 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, 1998 (No. 20 of 1998).		
<b>18 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	-	-
Finance leased assets	-	-
Intangible assets	-	-
<b>Total Depreciation and Amortisation</b>	<b>-</b>	<b>-</b>
Refer to note 6 and 7 for the measurement transitional provisions applied regarding the measurement of Property, plant and equipment and intangible assets.		
<b>19 REPAIRS AND MAINTENANCE</b>		
Furniture and equipment	248 597	167 026
Computer equipment	402 430	115 861
Building	1 233 773	1 488 141
Motor vehicles	105 013	149 504
<b>Total repairs and maintenance</b>	<b>1 989 813</b>	<b>1 920 532</b>
During the financial year, the municipality completed a major repair project on the administrative building disclosed in note 6 to the financial statements. This involved re-painting of the walls and major repairs to the roof of the building. However all these building repairs expenses were not capitalised as no improvements were done to the building, the asset (building) was only brought back to its original state.		



	2011 R	RESTATED 2010 R
<b>20 FINANCE COSTS</b>		
Finance lease liabilities	323 133	114 575
Other	133 912	7 171
<b>Total Finance Costs</b>	<b>457 045</b>	<b>121 746</b>
<b>21 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Favourable bank balances and cash	6 390 149	6 013 417
Unfavourable bank balances	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	<b>6 390 149</b>	<b>6 013 417</b>
Refer to note 1 for more details on cash and cash equivalents		
<b>22 GENERAL EXPENSES</b>		
Included in general expenses are the following:-		
Advertising	389 121	396 192
Assets written off	-	149 771
Audit fees	1 581 379	1 749 115
Bank charges	37 908	33 243
Bursaries	105 387	131 860
Conferences and delegations	43 642	16 700
Consulting fees	1 624 812	570 689
Donations	1 963 018	528 447
Disaster management	-	196 990
Entertainment	397 811	414 473
Fuel and oil	275 902	280 805
Insurance	141 800	149 124
Legal expenses	231 767	113 746
Licence fees - vehicles	1 629	4 295
Licence fees - computers	58 668	16 547
Membership fees	166 770	-
Operating grant expenditure	-	1 638 722
Postage	7 898	4 706
Printing and stationery	250 210	310 719
Professional fees	-	57 088
Security costs	4 277	8 068
Telephone cost	743 218	702 354
Training	882 982	315 893
Travel and subsistence	2 544 021	1 521 325
Water and electricity	83 256	66 138
Other expenses	1 422 244	853 624
Website launch costs	200 000	-
<b>Total general expenditure</b>	<b>13 157 720</b>	<b>10 230 632</b>

23

	2011 R	RESTATED 2010 R
<b>23 OPERATING GRANT EXPENDITURE</b>		
Equitable Share	15 186 457	12 010 750
COGTA Financial Assistance Grant	27 032 779	9 200 000
Financial Management Grant	1 000 000	1 000 000
Municipal Systems Implementation Grant	621 743	780 350
Provincial Infrastructure Grant	733 291	1 392 199
THETHA Grant	-	441 160
<b>Less grant expenses already included in operating expenses</b>		
Equitable Share	(15 186 457)	(12 010 750)
COGTA Financial Assistance Grant	(27 032 779)	(9 200 000)
Financial Management Grant	(1 000 000)	(390 675)
Municipal Systems Implementation Grant	(621 743)	(74 953)
Provincial Infrastructure Grant	-	(170 972)
THETHA Grant	-	(117 160)
<b>Less capitalised grant expenses</b>		
Provincial Infrastructure Grant	(733 291)	(1 221 227)
<b>Total operating grant expenditure</b>	<u>-</u>	<u>1 638 722</u>
<b>24 CASH RECEIVED FROM CUSTOMERS, GOVERNMENT AND OTHERS</b>		
Total revenue	45 264 547	26 043 659
<b>Adjusted for items presented separately:</b>		
Gain on disposal of assets	(778 504)	(238 545)
Interest earned	(382 910)	(927 464)
<b>Revenue before changes in working capital:</b>	<u>44 103 133</u>	<u>24 877 650</u>
<b>Changes in working capital</b>		
(Increase)/decrease in trade receivables	(1 363 614)	(20 102)
(Increase)/decrease in sundry receivables	(1 698 931)	(803 338)
(Increase)/decrease in VAT receivable	(804 739)	(886 287)
<b>Cash received from customers, government and others</b>	<u>40 235 849</u>	<u>23 167 923</u>
<b>25 CASH PAID TO SUPPLIERS AND EMPLOYEES</b>		
Total expenditure	(36 822 864)	(29 844 611)
<b>Adjusted for items presented separately:</b>		
Assets written off	-	149 771
Finance costs	457 045	121 746
Loss on disposal of assets	45 220	-
<b>Expenditure before changes in working capital:</b>	<u>(36 320 599)</u>	<u>(29 573 094)</u>
<b>Changes in working capital</b>		
Increase/(decrease) in conditional grants and receipts	(605 034)	1 050 847
Increase/(decrease) in trade payables	164 955	2 280 747
<b>Cash paid to suppliers and employees</b>	<u>(36 760 678)</u>	<u>(26 241 500)</u>
<b>26 CASH GENERATED BY OPERATIONS</b>		
(Deficit)/Surplus for the year	8 441 683	(3 800 952)
<b>Adjustment for:-</b>		
Assets written off		149 771
Finance costs	457 045	121 746
Bad Debts written back	679 116	-
Donation of assets	1 954 518	-
Gain on disposal of assets	(778 504)	(238 545)
Interest earned	(382 910)	(927 464)
Loss on disposal of assets	45 220	-
<b>Operating surplus before changes in working capital: carried forward</b>	<u>10 416 168</u>	<u>(4 695 444)</u>

	2011 R	RESTATED 2010 R
26 <b>CASH GENERATED BY OPERATIONS (continued)</b>		
<b>Operating surplus before changes in working capital: brought forward</b>	<b>10 416 168</b>	<b>(4 695 444)</b>
<b>Changes in working capital</b>		
(Increase)/decrease in inventories	-	-
(Increase)/decrease in trade receivables	(1 363 614)	( 20 192)
(Increase)/decrease in sundry receivables	(1 698 931)	( 803 338)
(Increase)/decrease in VAT receivable	( 804 739)	( 886 287)
Increase/(decrease) in conditional grants and receipts	( 605 034)	1 050 847
Increase/(decrease) in trade payables	164 955	2 280 747
<b>Cash generated by/(utilised in) operations</b>	<b>6 108 805</b>	<b>(3 073 667)</b>
27 <b>CORRECTION OF ERROR</b>		
The following errors were corrected in terms of GRAP 3:  Accounting Policies, Changes in Accounting Estimates and Errors.		
27.1 <b>Leave Accrual misstated</b>		
The leave accrual was understated in the previous year. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below: <b>The effect on the financial statements is as follows:</b>		
Increase in leave accrual		26 754
Decrease in accumulated surplus (opening balance)		( 26 754)
27.2 <b>Trade and other payables</b>		
Various trade payables were misstated in the prior year. Reconciliations were performed in the current financial year and resulted in the change in the balance payable to these trade payables. <b>The effect on the financial statements is as follows:</b>		
Decrease in trade and other payables		( 85 967)
Increase in accumulated surplus (opening balance)		85 967
27.3 <b>Accrued income</b>		
Accrued income was understated in the previous year. The comparative statements for 2009/10 have been restated. The effect of the restatement is summarised below: <b>The effect on the financial statements is as follows:</b>		
Increase in accrued income		91
Increase in interest income		( 91)

	2011 R	RESTATED 2010 R
<b>28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>28.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Opening balance	2 934 185	462 781
Unauthorised expenditure current year	3 663 308	2 934 185
Approved by Council or condoned		
- Prior year	-	( 462 781)
- Current year	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>6 597 493</u>	<u>2 934 185</u>

The unauthorised expenditure relates to the unbudgeted expenditure during the financial year.

Full report is to be given to Council for condonement at the next possible Council meeting.

<b>28.2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	6 754	-
Fruitless and wasteful expenditure current year	45 890	6 754
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>52 644</u>	<u>6 754</u>

The municipality early redeemed a fixed deposit during the financial year and forfeited interest income amounting to R45,890.00

No disciplinary proceedings have been instituted as this was an operational matter.

	2011 R	RESTATED 2010 R
<b>28 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (continued)</b>		
<b>28.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure		
Opening balance	1 281 768	449 104
Irregular expenditure current year	5 734 396	1 803 550
Condoned or written off by Council		
- Prior year	-	( 300 904)
- Current year	-	( 669 982)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>7 016 164</u>	<u>1 281 768</u>
<b>The breakdown of the above expenditure is as follows:</b>		
- Tax clearance certificates not obtained as per SCM policy	210 297	-
- Sufficient quotations obtained but lowest not appointed	-	13 550
- Tender process not followed as required by SCM policy	3 863 016	1 083 023
- Insufficient quotations obtained as required by SCM policy	1 661 083	656 432
- Remuneration above upper limits determined by SALGA	-	50 545
<b>Total irregular expenditure</b>	<u>5 734 396</u>	<u>1 803 550</u>
The irregular expenditure is still under investigation.		
<b>29 ADDITIONAL DISCLOSURES IN TERMS OF MFMA</b>		
<b>29.1 Contributions to organised local government</b>		
Opening balance	-	12 500
Council subscriptions	152 829	120 000
Amount paid - current	( 120 000)	( 12 500)
Amount paid - previous years	-	( 120 000)
<b>Balance unpaid (included in payables)</b>	<u>32 829</u>	<u>-</u>
<b>29.2 Audit fees</b>		
Opening balance	955 800	102 993
Current year audit fee	1 885 755	1 749 115
Amount paid - current year	-	( 793 315)
Amount paid - previous years	(2 472 222)	( 102 993)
<b>Balance unpaid (included in payables)</b>	<u>369 333</u>	<u>955 800</u>
<b>29.3 VAT</b>		
Opening balance	1 111 531	266 132
Movement in control account	1 261 291	1 554 647
VAT received/(paid) during the year	( 456 552)	( 709 248)
VAT receivable/(payable) at year end	<u>1 916 270</u>	<u>1 111 531</u>
VAT input receivables is shown in note 9.		
<b>29.4 PAYE and UIF</b>		
Opening balance	225 137	150 243
Current year payroll deductions	3 601 968	2 514 362
Amount paid - current year	(3 269 088)	(2 289 225)
Amount paid - previous years	( 225 137)	( 150 243)
<b>Balance unpaid (included in payables)</b>	<u>332 880</u>	<u>225 137</u>
Payments for the June 2011 month were made in July 2011		

	2011 R	RESTATED 2010 R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>		
29		
29.5		
Opening balance	( 40 317)	-
Current year payroll deductions and Council Contributions	1 824 223	3 039 074
Amount paid - current year	(1 774 533)	(3 079 392)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	<b>9 373</b>	<b>( 40 317)</b>
Payments for the June 2011 month were made in July 2011		
29.6		
<b>Municipal bank accounts</b>		
Refer to note 1 to the financial statement for the additional disclosures as required by S.125(2)(a) of the MFMA in respect of each bank account held by the municipality during the financial year.		
29.7		
<b>Municipal investment accounts</b>		
Refer to note 1 to the financial statements for the additional disclosures as required by S.125(2)(a) of the MFMA in respect of each investments held by the municipality during the financial year. For the current and prior financial year, the municipality only invested in call account and fixed deposits. These are classified as part of cash and cash equivalents as per the municipality's accounting policy.		
29.8		
<b>Councillor's arrear consumer accounts</b>	-	-
The Municipality had no Councillor's arrear consumer accounts at the reporting date.		
29.9		
<b>Non-Compliance with Chapter 11 of the Municipal Finance Management Act</b>		
The municipality has assessed compliance with Chapter 11 of the MFMA and identified non-compliances as stated in note 30.3 to the financial statements.		
30		
<b>CAPITAL COMMITMENTS</b>		
30.1		
<b>Commitments in respect of capital expenditure</b>		
- <b>Approved and contracted for</b>		
Other assets	-	2 217 625
- <b>Approved but not yet contracted for</b>		
Other assets	-	658 053
<b>Total capital commitments</b>	<b>-</b>	<b>2 875 678</b>
<b>This expenditure will be financed from:</b>		
- Government Grants	-	1 234 935
- Own resources	-	1 640 743
<b>Total</b>	<b>-</b>	<b>2 875 678</b>

	2011 R	RESTATED 2010 R
<b>30.2 Operating leases</b>		
<b>Operating leases – as lessor</b>		
<b>Minimum lease payments due</b>		
Within one year	-	279 140
In second to fifth year inclusive	-	-
After five years	-	-
<b>Total</b>	<u>-</u>	<u>279 140</u>

Operating leases consists of the following:

A portion of the Municipality's building is held to generate rental income. At year end the rental contracts for the 2011/2012 financial year had not yet been concluded.

**31 RETIREMENT BENEFIT INFORMATION**

**31.1 Defined contribution plan**

Xhariep District Municipality and its employees contribute to various funds which provide benefits to such employees. The retirement benefit plan is subject to the Pension Funds Act of 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income. No actuarial information was available for the funds listed below on the preparation of financial statements

**31.1 Defined contribution plan (continued)**

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Free State Municipal Pension Fund
- SAMWU National Provident Fund
- Municipal Employees Pension Fund
- South African Local Authorities Pension Fund

**32 CONTINGENT LIABILITY**

The Municipality had no contingent liabilities at the reporting date.

**33 CONTINGENT ASSET**

The Municipality had no contingent assets at the reporting date.

**34 IN-KIND DONATIONS AND ASSISTANCE**

The Municipality did not receive any in-kind donations and assistance during the current financial year.

**35 RELATED PARTIES**

Post employment benefit plan for employees of municipality and/or other related parties. Refer to note 33 for the details.

Compensation to Councillors and other key management (refer to note 16 & 17).

	2011 R	RESTATED 2010 R
<b>36 EVENTS AFTER THE REPORTING DATE</b>		
At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.		
<b>37 KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS</b>		
The following areas involve a significant degree of estimation uncertainty:		
Provision for doubtful debts	83 353	920 467
Depreciation and impairment of assets	-	-
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 these assets or liabilities.		
<b>38 RISK MANAGEMENT</b>		
<b>38.1 Maximum credit risk exposure</b>		
Credit risk consists mainly of cash deposits, cash equivalents and trade and other receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Financial assets exposed to credit risk at year end were as follows:		
- ABSA Bank: Current Account	1 346 663	216 256
- First National Bank: Call Deposits	11 431	1 666 444
- First National Bank: Fixed Deposits	5 031 973	4 130 717
- ABSA Bank: Credit Cards	( 8 691)	( 14 104)
- Trade and other receivables	2 224 968	861 354
These balances represent the maximum exposure to credit risk.		
<b>38.2 Liquidity risk</b>		
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.		
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
<b>38.3 Interest rate risk</b>		
The municipality's interest rate risk arises from finance lease liabilities, credit cards & investments. These are issued at variable rates and expose the Municipality to cash flow interest rate risk.		
Financial instruments that are issued at fixed rates expose the municipality to fair value interest rate risk.		
At year end, financial instruments exposed to interest rate risk were as follows:		
- ABSA Bank: Current Account	1 346 663	216 256
- First National Bank: Call Deposits	11 431	1 666 444
- First National Bank: Fixed Deposits	5 031 973	4 130 717
- ABSA Bank: Credit Card	( 8 691)	( 14 104)
- Finance Lease Liabilities	( 760 236)	(1 014 709)
<b>38.4 Other price risk</b>		
The municipality has no exposure to changes in price risk.		
<b>39 COMPARISON WITH THE BUDGET</b>		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix E.		



**XHARIEP DISTRICT MUNICIPALITY  
SCHEDULE OF EXTERNAL LOANS  
FOR THE YEAR ENDED 30 JUNE 2011**

**APPENDIX A**

<b>EXTERNAL LOANS</b>	<b>Loan number</b>	<b>Redeemable Date</b>	<b>Balance at 30 June 2010</b>	<b>Received during the period</b>	<b>Redeemed / written off during the period</b>	<b>Balance at 30 June 2011</b>	<b>Cost Price of Property, Plant &amp; Equipment</b>	<b>Asset Capitalised</b>	<b>Depreciation Period</b>	<b>Other Costs in accordance with MFMA</b>
			R	R	R	R	R			R
<b>LONG-TERM LOANS</b>										
None	N/A	N/A	-	-	-	-	-	-	N/A	-
<b>TOTAL EXTERNAL LOANS</b>			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>

Xhariep District Municipality had no external loans as at 30 June 2009 and 30 June 2010 respectively.

APPENDIX B  
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost / Revaluation					Accumulated Depreciation					Transfers	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		
<b>LAND AND BUILDINGS</b>												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Building	13 257 213	1 948 526	-	-	15 205 739	-	-	-	-	-	-	15 205 739
	<b>13 257 213</b>	<b>1 948 526</b>	<b>-</b>	<b>-</b>	<b>15 205 739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 205 739</b>
<b>OTHER ASSETS</b>												
Furniture and equipment	349 567	255 996	-	-	605 563	( 5 635)	-	-	-	( 5 635)	-	599 928
Computer Equipment	998 768	572 543	-	-	1 571 311	( 144 136)	-	-	-	( 144 136)	-	1 427 175
Motor vehicles	459 639	1 670 528	( 819 506)	-	1 310 661	-	-	-	-	-	-	1 310 661
Office Equipment	55 394	428 678	( 8 500)	-	475 572	( 8 500)	-	-	-	-	-	475 572
	<b>1 863 368</b>	<b>2 927 745</b>	<b>( 828 006)</b>	<b>-</b>	<b>3 963 107</b>	<b>( 149 771)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 149 771)</b>	<b>-</b>	<b>3 813 336</b>
<b>WORK IN PROGRESS</b>												
Sewerage construction	1 221 227	733 291	(1 954 518)	-	-	-	-	-	-	-	-	-
	<b>1 221 227</b>	<b>733 291</b>	<b>(1 954 518)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FINANCE LEASE ASSETS</b>												
Office Equipment	1 292 527	-	-	-	1 292 527	-	-	-	-	-	-	1 292 527
	<b>1 292 527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 292 527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 292 527</b>
<b>TOTAL</b>	<b>17 634 335</b>	<b>5 609 562</b>	<b>(2 782 524)</b>	<b>-</b>	<b>20 461 373</b>	<b>( 149 771)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 149 771)</b>	<b>-</b>	<b>20 311 602</b>

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT  
FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX B (continued)

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	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		
<b>LAND AND BUILDINGS</b>												
Land	-	-	-	-	-	-	-	-	-	-	-	-
Building	13 257 213	-	-	-	13 257 213	-	-	-	-	-	-	13 257 213
	<b>13 257 213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 257 213</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 257 213</b>
<b>OTHER ASSETS</b>												
Furniture and equipment	239 868	109 699	-	-	349 567	-	-	-	( 5 635)	( 5 635)	-	343 932
Computer Equipment	422 670	596 932	( 20 834)	-	998 768	-	-	-	( 144 136)	( 144 136)	-	854 632
Motor vehicles	317 693	297 053	( 155 107)	-	459 639	-	-	-	-	-	-	459 639
Office Equipment	26 190	29 204	-	-	55 394	-	-	-	-	-	-	55 394
	<b>1 006 421</b>	<b>1 032 888</b>	<b>( 175 941)</b>	<b>-</b>	<b>1 863 368</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 149 771)</b>	<b>( 149 771)</b>	<b>-</b>	<b>1 713 597</b>
<b>WORK IN PROGRESS</b>												
Sewerage construction	-	1 221 227	-	-	1 221 227	-	-	-	-	-	-	1 221 227
	<b>-</b>	<b>1 221 227</b>	<b>-</b>	<b>-</b>	<b>1 221 227</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 221 227</b>
<b>FINANCE LEASE ASSETS</b>												
Office Equipment	187 800	1 104 728	-	-	1 292 527	-	-	-	-	-	-	1 292 527
	<b>187 800</b>	<b>1 104 728</b>	<b>-</b>	<b>-</b>	<b>1 292 527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 292 527</b>
<b>TOTAL</b>	<b>14 451 434</b>	<b>3 358 843</b>	<b>( 175 941)</b>	<b>-</b>	<b>17 634 335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>( 149 771)</b>	<b>( 149 771)</b>	<b>-</b>	<b>17 484 564</b>

XHARIEP DISTRICT MUNICIPALITY  
 SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
 FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX C  
 SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Cost / Revaluation						Accumulated Depreciation						Carrying value
	Opening Balance	Additions	Revaluations	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation	Impairment	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Council	216 172	-	-	-	-	216 172	-	-	-	-	-	-	216 172
Municipal Manager	48 797	-	-	-	-	48 797	-	-	-	-	-	-	48 797
Budget and Treasury	17 062 079	5 609 562	-	-	(2 782 524)	19 889 117	(149 771)	-	-	-	-	(149 771)	19 739 346
Corporate	307 287	-	-	-	-	307 287	-	-	-	-	-	-	307 287
Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>17 634 335</b>	<b>5 609 562</b>	<b>-</b>	<b>-</b>	<b>(2 782 524)</b>	<b>20 461 373</b>	<b>(149 771)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(149 771)</b>	<b>20 311 602</b>

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Cost / Revaluation						Accumulated Depreciation						Carrying value
	Opening Balance	Additions	Revaluations	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation	Impairment	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Council	216 172	-	-	-	-	216 172	-	-	-	-	-	-	216 172
Municipal Manager	48 797	-	-	-	-	48 797	-	-	-	-	-	-	48 797
Budget and Treasury	13 879 177	3 358 843	-	-	(175 941)	17 062 079	-	-	(149 771)	-	-	(149 771)	16 912 308
Corporate	307 287	-	-	-	-	307 287	-	-	-	-	-	-	307 287
Planning and Development	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>14 451 433</b>	<b>3 358 843</b>	<b>-</b>	<b>-</b>	<b>(175 941)</b>	<b>17 634 335</b>	<b>-</b>	<b>-</b>	<b>(149 771)</b>	<b>-</b>	<b>-</b>	<b>(149 771)</b>	<b>17 484 564</b>

XHARIEP DISTRICT MUNICIPALITY  
 SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE  
 FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX D

<b>2010 Actual Income R</b>	<b>2010 Actual Expenditure R</b>	<b>2010 Surplus/ (Deficit) R</b>		<b>2010 Actual Income R</b>	<b>2010 Actual Expenditure R</b>	<b>2010 Surplus/ (Deficit) R</b>
-	4 376 356	(4 376 356)	Council General	4 989 925	4 199 001	790 924
11 129	4 653 407	(4 642 278)	Municipal Manager	5 541 886	5 428 527	113 359
24 577 729	8 025 369	16 552 360	Budget and Treasury	9 386 923	5 736 045	3 650 878
62 602	9 575 502	(9 512 900)	Corporate Services	16 784 689	12 396 439	4 388 250
1 392 199	3 213 977	(1 821 778)	Planning and Development	8 561 124	9 062 852	( 501 728)
<b>26 043 659</b>	<b>29 844 611</b>	<b>(3 800 952)</b>	<b>TOTAL</b>	<b>45 264 547</b>	<b>36 822 864</b>	<b>8 441 683</b>

XHARIEP DISTRICT MUNICIPALITY  
ACTUAL VERSUS BUDGET (REVENUE & EXPENDITURE)  
FOR THE YEAR ENDED 30 JUNE 2011

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APPENDIX E1	Accrual Basis		Modified Cash Basis		Variance	Variance	Explanation of significant variances greater than 10% versus budget
	Actual 2011	Reverse non-cash items	Actual Expenses 2011	Budget 2011			
	R	R	R	R			
<b>REVENUE</b>							
Rental income	290 957	-	290 957	281 444	( 9 513)	-3.38%	Rental revenue includes small rentals of the side halls. These were not utilised more than expected during the year.
Interest earned	382 910	( 19 082)	363 828	163 257	( 200 571)	-122.86%	An increase due to improved controls with regards to revenue and investments.
Government grants and subsidies	44 574 270	(1 814 250)	42 760 020	43 427 339	667 319	1.54%	Actuals include prior year grants for which conditions were met in current year, i.e. roll-overs.
Other income	16 410	-	16 410	256 934	240 524	93.61%	Other income includes sale of tender fees. In general, far less tenderers tendered than expected numbers.
<b>TOTAL REVENUE</b>	<b>45 264 547</b>	<b>(1 833 332)</b>	<b>43 431 215</b>	<b>44 128 974</b>	<b>697 759</b>		
<b>EXPENDITURE BY NATURE</b>							
Employee related costs	19 206 915	( 475 626)	18 731 289	21 655 337	2 924 048	13.50%	Mainly due to travelling and subsistence allowances being classified under general expenditure.
Remuneration of Councillors	2 625 754	-	2 625 754	2 512 475	( 113 279)	-4.51%	Insignificant variance (below 10%) and accepted by management.
Bad debts and impairment of debtors provision	( 659 603)	659 603	-	-	-	0.00%	Not applicable
Depreciation and amortisation expense	-	-	-	-	-	0.00%	Not applicable
Loss on disposal of assets	45 220	-	-	-	-	0.00%	The loss on disposal of assets was not budgeted for during the year.
Repairs and maintenance	1 989 813	-	1 989 813	4 027 764	2 037 951	50.60%	Mainly due to the capitalising of items seen as repairs and maintenance during the budget process but at financial statement preparation treated as Capex. Due to GRAP conversion process that commenced at year end, the municipality had to recognise the finance lease expenditure in respect of the finance leases. These were not budgeted for as these were only quantified during the GRAP conversion that started after the budget was approved by council.
Finance costs	457 045	-	457 045	964 696	507 651	52.62%	All Finance Lease payments were budgeted for as General Expenses. With the GRAP conversion adjustments, General Expenses were reduced and reallocated to Finance Lease Liabilities and Finance Costs.
General expenses	13 157 720	-	13 157 720	13 642 459	484 739	3.55%	
<b>Total operating expenditure by nature</b>	<b>36 822 864</b>	<b>183 977</b>	<b>36 961 621</b>	<b>42 802 731</b>	<b>5 841 110</b>		
Capital expenditure	4 876 271	-	4 876 271	1 326 242	(3 550 029)	-267.68%	Mainly due to the capitalising of items seen as repairs and maintenance during the budget process but at financial statement preparation treated as Capex.
<b>Total expenditure by nature</b>	<b>41 699 135</b>	<b>183 977</b>	<b>41 837 892</b>	<b>44 128 973</b>	<b>2 291 081</b>		
Grants and subsidies received GRAP adjustment	1 814 250						
Accrued Interest	19 082						
Bad debts and impairment of debtors provision	( 659 603)						
Employee related costs	475 626						
Leave accrual movement	369 432						
Bonus accrual movement	106 194						

XHARIEP DISTRICT MUNICIPALITY  
 ACTUAL VERSUS BUDGET (CAPITAL EXPENDITURE)  
 FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX E1 (continued)

DESCRIPTION	Accrual Basis		Modified Cash Basis		Variance	Variance	Explanation of significant variances greater than 10% versus budget
	Actual 2011	Reverse non-cash items	Actual Expenses 2011	Budget 2011			
	R	R	R	R			
<b>EXPENDITURE BY DEPARTMENT</b>							
Council General	4 199 001	-	4 199 001	4 511 594	312 593	7%	Insignificant and Accepted.
Municipal Manager	5 428 527	-	5 428 527	6 140 332	711 805	12%	Less spending due to delays in fully implementing certain functions like the Risk office that were budgeted for.
Budget and Treasury	5 736 045	659 603	6 395 648	7 851 797	1 456 149	19%	Under spending due to savings on the employment related costs. Less spending due to delays in fully implementing certain functions like filling of
Corporate Services	12 396 439	( 475 626)	11 920 813	14 699 447	2 778 634	19%	vacant posts and renovations.
Planning and Development	9 062 852	-	9 062 852	9 599 561	536 709	6%	Insignificant and Accepted.
<b>Total expenditure by department</b>	<b>36 822 864</b>	<b>183 977</b>	<b>37 006 841</b>	<b>42 802 731</b>	<b>5 795 890</b>		

APPENDIX E2

DESCRIPTION	Accrual Basis		Cash Basis	Cash Basis	Variance	Variance	Explanation of significant variances greater than 10% versus budget
	Actual 2011	Reverse non-cash items	Actual Expenses 2011	Budget 2011			
	R	R	R	R			
Building	1 948 526	-	1 948 526	140 000	(1 808 526)	-1292%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage.
Furniture and equipment	255 996	-	255 996	296 242	40 246	14%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage.
Computer Equipment	572 543	-	572 543	70 000	( 502 543)	-718%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage.
Motor vehicles	1 670 528	-	1 670 528	820 000	( 850 528)	-104%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage.
Office Equipment	428 678	-	428 678	-	( 428 678)	-100%	GRAP related items viewed as Capex at financial statement date but considered as repairs and maintenance at budget preparation stage.
<b>Total capital expenditure</b>	<b>4 876 271</b>	<b>-</b>	<b>4 876 271</b>	<b>1 326 242</b>	<b>(3 550 029)</b>		

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX E

GRANT DESCRIPTION	Balance as at 1 July 2010	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 2011
	R	R	R	R	R	R
<b>Provincial Government Grants</b>						
COGTA Financial Assistance Grant	-	-	27 032 779	(27 032 779)	-	-
Provincial Treasury Grant	-	-	-	-	-	-
Provincial Infrastructure Grant	1 207 801	-	-	-	( 733 291)	474 510
<b>National Government Grants</b>						
Equitable share	-	-	15 186 457	(15 186 457)	-	-
Financial Management Grant	-	-	1 000 000	(1 000 000)	-	-
MSIG Grant	28 679	-	750 000	( 621 743)	-	156 936
<b>Other Grants and Subsidies</b>						
THETHA Grant	36 080	-	-	-	-	36 080
<b>TOTAL</b>	<b>1 272 560</b>	<b>-</b>	<b>43 969 236</b>	<b>(43 840 979)</b>	<b>( 733 291)</b>	<b>667 526</b>