



**Mkhambathini Municipality
Annual Financial Statements
for the year ended June 30, 2011**

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

General Information

Legal form of entity	Municipality
Mayoral committee	
Executive Mayor	Cllr. T.E. Maphumulo (Mayor) Cllr. E.Ngcongo (Deputy Mayor)
Councillors	Cllr. T.Z. Maphumulo Cllr. F.J. Ngubane Cllr. M.E.Ngcongo Cllr. B. Zondi Cllr. T.A. Gwala Cllr. M.Nene Cllr. Mr. Ntuli Cllr. M.K. Mkhize Cllr. S Wanda Cllr. S.P. Goqo Cllr. Tovernth Cllr. F.P. Msomi
Accounting Officer	Mr. D.A. Pillay 031 785 9370
Chief Finance Officer (CFO)	Mr.S.C.Magcaba 031 785 9320
Business address	18 Old Main Road Camperdown 3720
Postal address	Private Bag X04 Camperdown 3720
Auditors	Auditor-General
Name of Account Holder	Mkhambathini Municipality
Name of Bank	Standard Bank
Type of Account	Current Account
Branch Code	057 575
Account Number	052 1499 78

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

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Abbreviations

GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 4 to 30, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August , 2011 and were signed on its behalf by:

Devan Pillay
Accounting Officer

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Accounting Officer's Report

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

1. Subsequent events

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

2. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Devan Pillay	South African

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Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Other debtors	7	1,662,227	479,227
VAT receivable	8	2,306,708	2,462,040
Consumer debtors	9	2,150,674	1,784,675
Assets under construction	6	3,757,551	272,680
Cash and cash equivalents	10	4,143,181	(65,850)
		14,020,341	4,932,772
Non-Current Assets			
Property, plant and equipment	3	47,115,953	26,290,692
Intangible assets	4	364,912	562,334
		47,480,865	26,853,026
Total Assets		61,501,206	31,785,798
Liabilities			
Current Liabilities			
Trade and other payables	13	2,663,179	2,186,854
Unspent conditional grants and receipts	12	3,215,316	2,339,460
		5,878,495	4,526,314
Total Liabilities		5,878,495	4,526,314
Net Assets		55,622,711	27,259,484
Net Assets			
Revaluation reserve	11&11	19,246,267	4,079,008
Accumulated surplus		36,376,444	23,180,476
Total Net Assets		55,622,711	27,259,484

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Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	14	4,149,989	3,136,733
Interest received		10,860	-
Fines		85,170	622
Licences and permits		2,299,571	2,060,444
Government grants & subsidies	15	34,482,288	23,171,650
Commissions received		5,998	4,399
Other income		490,115	1,322,269
Interest received	20	361,621	168,349
Total Revenue		41,885,612	29,864,466
Expenditure			
Employee Related Cost	18	(13,636,979)	(12,095,042)
Remuneration of councillors	19	(3,262,323)	(3,269,417)
Depreciation and amortisation	21	(1,970,194)	(1,714,586)
Debt impairment		(396,957)	-
Repairs and maintenance		(369,347)	(129,310)
Grants and subsidies paid		(3,745,721)	(685)
General Expenses	17	(5,884,987)	(6,160,763)
Total Expenditure		(29,266,508)	(23,369,803)
Gain on disposal of assets and liabilities		69,600	113,225
Surplus for the year		12,688,704	6,607,888

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at July 01, 2009	140,701	18,876,029	19,016,730
Revaluation	16,335,800	-	16,335,800
Adjustments	-	325,467	325,467
Surplus/(Deficit) for the year	-	6,607,888	6,607,888
Balance as at June 30, 2010	16,476,501	25,809,377	42,285,878
Correction of an error	(12,397,493)	(2,628,901)	(15,026,394)
Restated balance at July 01, 2010	4,079,008	23,180,476	27,259,484
Revaluation	15,167,259	-	15,167,259
Surplus for the year	-	12,688,704	12,688,704
Adjustment	-	507,264	507,264
Balance at June 30, 2011	19,246,267	36,376,444	55,622,711

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Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and others		37,698,166	29,346,608
Interest income		361,621	168,349
Other receipts		86,261	-
Other cash item		387,399	-
		<u>38,533,447</u>	<u>29,514,957</u>
Payments			
Cash paid to suppliers and employees		(23,985,635)	(25,999,701)
Net cash flows from operating activities	23	<u>14,547,812</u>	<u>3,515,256</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(4,587,579)	(6,584,000)
Proceeds from sale of property, plant and equipment	3	69,600	556,827
Purchase of assets under construction		(3,484,871)	(272,680)
Purchase of other assets		-	(562,334)
Other cash item		(2,335,931)	(254,113)
Net cash flows from investing activities		<u>(10,338,781)</u>	<u>(7,116,300)</u>
Net increase/(decrease) in cash and cash equivalents		4,209,031	(3,601,044)
Cash and cash equivalents at the beginning of the year		(65,850)	3,535,194
Cash and cash equivalents at the end of the year	10	<u>4,143,181</u>	<u>(65,850)</u>

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Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

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

Property, plant and equipment, is stated at cost less accumulated depreciation, except land, which is revalued as indicated below. Land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives, which lives are reviewed annually:

Item	Years
Infrastructure	
• Roads and Paving	10
• Taxi Rank	20
Community	
• Building	20
• Community Assets 10-30	20
Other	
• Building	30
• Vehicles	5
• Disaster Management	2-10
• Office Equipment	2-10
• Furniture and Fittings	2-10
• Plant and Equipment	2-15

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 carrying value and is recognised in the Statement of Financial Performance.

- Review of useful life of items of property, plant and equipment recognised in the annual financial statements
- Review of depreciation method applied to property, plant and equipment recognised in the annual financial statements
- Testing for and impairing any items of property, plant and equipment recognised in the annual

In 2009/2010 these requirements have also not been complied with due to the exemption granted in Directive 4. Revaluation of Property, Plant and Equipment will be performed in 2010/2011 financial

Revaluation of land

Land is stated at the values reflected in the valuation roll. The effective date of the last revaluation was 1 March 2009. The valuation of was performed by the Municipal Valuer

1.2 Intangible assets

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Accounting Policies

1.2 Intangible assets (continued)

Item	Useful life
Computer software, other	5 years

Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or services potential that are attributable to the asset will flow to the municipality and the cost can be measured reliably.

1.3 Financial instruments

Classification

In 2009/2010 the requirements of IAS 39 were not complied with in that financial assets and financial liabilities were not measured at fair value. In addition the disclosure requirements of IAS 32 were not complied with. These requirements have also not been complied with due to the exemption granted in directive 4

Trade and other receivables

Trade and other receivables are classified as loans and receivables.

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

Bank overdraft and borrowings

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

1.4 Leases

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 subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

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Accounting Policies

1.5 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.6 Employee benefits

Defined benefit plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued 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.

1.7 Provisions and contingencies

Provisions are recognised when:

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

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

1.8 Revenue Recognition

Revenue was recognised at cost, and no interest was recognised as a result of any time value of money adjustments.

Revenue from Exchange Transaction

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Annual Financial Statements for the year ended June 30, 2011

Accounting Policies

1.8 Revenue Recognition (continued)

Interest and rentals are recognised on a time proportion basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff by Council. This includes the Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. Revenue from the sale of goods is recognised when the risk is passed to the consumer. Revenue from public contributions 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 are brought into use. Where public contributions have been received but the Municipality has not met the condition, a liability is recognised.

Revenue from non-exchange transaction

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on the time proportion basis. Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use. 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.

1.9 Borrowing costs

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

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

1.10 Comparative information

Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.11 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.12 Fruitless and wasteful expenditure

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

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

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Accounting Policies

1.13 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.

1.14 Presentation of currency

These annual financial statements are presented in South African Rand.

1.15 Revaluation reserve

The surplus arising from the revaluation of land is credited to a non-distributable reserve. On disposal, the net revaluation surplus is transferred to accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.16 Conditional grants and receipts

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

1.17 Related Parties

Individuals as well as their close family members, and /or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the other party in making financial and /or operating decisions. Key management personnel is defined as the Municipal manager, Chief Financial Officer and all managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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Notes to the Annual Financial Statements

Figures in Rand

2011

2010

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 23: Revenue from Non-exchange Transactions

The standard or the interpretation is neither relevant nor applicable to the operations of the municipality .

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

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

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

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2010.

The municipality has adopted the standard for the first time in the 2011 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

The standard or the interpretation is neither relevant nor applicable to the operations of the municipality.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

The standard or the interpretation is neither relevant nor applicable to the operations of the municipality .

GRAP 21: Impairment of non-cash-generating assets

The standard or the interpretation is neither relevant nor applicable to the operations of the municipality.

GRAP 26: Impairment of cash-generating assets

The standard or the interpretation is neither relevant nor applicable to the operations of the municipality.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 18: Segment Reporting

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

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

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

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

GRAP 104: Financial Instruments

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

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

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Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

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

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

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

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

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

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

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

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

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

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

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

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

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

The Minister of Finance has, in terms of General Notice 552 of 2007 - Gazzatte 30013 - exempted compliance with certain of the above mentioned standard and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements. A summary of the significant accounting policies, which have been consistently applied, except where an exemption has been granted, are disclosed below.

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,668,000	-	1,668,000	4,386,607	-	4,386,607
Buildings	8,381,501	(960,823)	7,420,678	5,917,439	(1,248,281)	4,669,158
Plant and machinery	-	-	-	328,899	(229,464)	99,435
Furniture and fixtures	-	-	-	630,690	(262,277)	368,413
Motor vehicles	873,981	(274,833)	599,148	1,314,326	(690,339)	623,987
Office equipment	2,545,893	(1,216,284)	1,329,609	1,522,759	(901,186)	621,573
Roads and Paving	25,391,591	(964,886)	24,426,705	6,055,035	(406,733)	5,648,302
Community 10 Years	-	-	-	2,261,898	(587,704)	1,674,194
Security Measures	-	-	-	93,923	(43,881)	50,042
Community Assets 30 Years	13,689,863	(2,018,050)	11,671,813	9,025,544	(876,563)	8,148,981
Total	52,550,829	(5,434,876)	47,115,953	31,537,120	(5,246,428)	26,290,692

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

2011	Restated Opening Balance	Reclassification	Revaluation	Additions	Disposals	Total	Opening Accumulated depreciation	Depreciation during the year	Total	Book Value
Land	4,386,607	(2,962,507)	243,900	-	-	1,668,000	-	-	-	1,668,000
Road and Paving	6,055,035	110,354	15,136,899	4,089,303	-	25,391,591	124,837	840,049	964,886	24,426,705
Buildings	5,917,439	2,464,062	-	-	-	8,381,501	796,341	164,482	960,823	7,420,678
Community Assets	9,025,544	2,255,395	(246,195)	2,655,119	-	13,689,863	1,410,997	607,053	2,018,050	11,671,813
Motor Vehicles	1,314,326	(156,000)	32,655	-	(317,000)	873,981	133,053	141,780	274,833	599,148
Other Assets	-	2,303,403	-	242,490	-	2,545,893	1,090,682	125,602	1,216,284	1,329,609
Office Equipment	1,522,759	(1,148,903)	-	-	(373,856)	-	-	-	-	-
Furniture and Fittings	630,690	(630,690)	-	-	-	-	-	-	-	-
Security Measures 10 Yrs	2,261,898	(1,812,292)	-	-	(449,606)	-	-	-	-	-
Plant and Machinery	328,899	(328,899)	-	-	-	-	-	-	-	-
Security Measures	93,923	(93,923)	-	-	-	-	-	-	-	-
	31,537,120	-	15,167,259	6,986,912	(1,140,462)	52,550,829	3,555,910	1,878,966	5,434,876	47,115,953

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality. Land is stated at the values reflected in the valuation roll.

4. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	562,334	197,422	364,912	562,334	-	562,334

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010		
4. Intangible assets (continued)				
Reconciliation of intangible assets - 2011				
	Opening balance	Amortisation	Impairment loss	Total
Computer software	562,334	(91,228)	(106,194)	364,912
5. Employee benefit obligations				
Defined benefit plan				
The Municipality employees are members of the following benefits schemes. Kwazulu - Natal Provident Fund (a state and Multi Employer Defined Contribution Plan. There is no obligation and cost to the Municipality post retirement.				
6. Assets under Construction				
Road Infrastructure			3,757,551	272,680
7. Other debtors				
Payment In Advance			1,272,447	89,447
Other debtors			389,780	389,780
			1,662,227	479,227
Included in payments in advance are receipts of an amount of R 1050 000 for Grant allocation (as per government gazette) for the current financial year not yet recieved and R133 000 from insurance claims.				
8. VAT receivable				
VAT			2,306,708	2,462,040
Opening balance			2,462,040	1,763,961
Received			(1,547,561)	(122,181)
Claimed during the year			1,371,438	820,260
Unclaimed VAT			20,791	-
			2,306,708	2,462,040
Included in the opening balance is the amount of R1644 455 million relates to the long outstanding amount of VAT to be received from SARS. This amount was nullified by SARS as per section 57 of the VAT Act,1991, due to inadequate information to carry out the "administration of this Act".				
The matter is still under dispute and the Municipality has re-submitted the VAT returns according to the VAT Act. The Municipality has now recieved the correspondance from SARS regarding the matter and its still under Review by SARS.				
9. Consumer debtors				
Gross balances				
Rates			2,150,674	1,784,675
Net balance				
Rates			2,150,674	1,784,675

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
9. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	261,558	617,054
30 days	203,717	(5,457)
60 days	168,970	297,877
90 days	231,916	199,696
120 days	238,509	242,225
150 days	229,887	(1,987)
180 days	1,366,470	547,381
Discounting and Provision	(550,353)	(112,114)
	2,150,674	1,784,675
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	3,400	3,400
Bank balances	4,483,067	96,519
Bank overdraft	(343,286)	(165,769)
	4,143,181	(65,850)
Standard Bank -Account number 052149978 Standard Bank -Account number 354264338 FNB - Account number 74104076952		
11. Revaluation reserve		
Opening balance	4,079,008	4,079,008
Change during the year	15,167,259	-
	19,246,267	4,079,008

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
12. Unspent conditional grants and receipts		
Movement during the year		
Municipal systems improvement grant		
Opening balance	386,671	59,538
Current year receipts	750,000	735,000
Conditions met - transfer to revenue	(873,585)	(407,867)
Conditions still to be met - transfer to liabilities	263,086	386,671
MAP		
Opening balance	429,432	429,432
Current year receipts	(65,000)	-
Conditions still to be met - transfer to liabilities	364,432	429,432
Community development worker		
Opening balance	11,225	11,225
Current year receipts	-	-
Conditions still to be met - transfer to liabilities	11,225	11,225
Corridor development		
Opening balance	205,999	443,566
Conditions met - transfer to revenue	-	(237,567)
Conditions still to be met - transfer to liabilities	205,999	205,999
Financial management grant		
Opening balance	610,478	1,386,539
Current year receipts	1,500,000	1,500,000
Conditions met - transfer to revenue	(1,774,513)	(2,276,061)
Conditions still to be met - transfer to liabilities	335,965	610,478
Housing grant		
Opening balance	524,062	608,082
Current year receipts	1,001,385	-
Conditions met - transfer to revenue	(1,057,342)	(84,020)
Conditions still to be met - transfer to liabilities	468,105	524,062
Lums grant		
Opening balance	46,537	46,537
Current year receipts	-	-
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	46,537	46,537
Municipal infrastructure grant		
Opening balance	-	1,873,382
Current year receipts	8,224,000	2,684,000
Conditions met - transfer to revenue	(8,224,000)	(4,557,382)
Conditions still to be met - transfer to liabilities	-	-
Soul buddies		
Opening balance	11,957	11,957
Current year receipts	-	-
Conditions met - transfer to revenue	(497)	-

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
12. Unspent conditional grants and receipts (continued)		
Conditions still to be met - transfer to liabilities	11,460	11,957
Sport grant		
Opening balance	113,099	113,099
Current year receipts	1,050,000	-
Conditions met - transfer to revenue	(719,932)	-
Conditions still to be met - transfer to liabilities	443,167	113,099
Pound Grant		
Opening balance	-	-
Current year receipts	1,000,000	-
Conditions met - transfer to revenue	(20,000)	-
Conditions still to be met - transfer to liabilities	980,000	-
LGSETA		
Opening balance	-	-
Current year receipts	85,340	-
Conditions met - transfer to revenue	-	-
Conditions still to be met - transfer to liabilities	85,340	-

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

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

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

Non-current liabilities	-	-
Current liabilities	3,215,316	2,339,460
	3,215,316	2,339,460

13. Trade and other payables

Trade payables	331,864	347,948
Creditors	405,644	377,315
Other creditors	85,904	289,463
Retention	396,545	-
UMDM	87,624	103,378
Bonus and Leaves Accruals	1,355,598	1,068,750
	2,663,179	2,186,854

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
14. Property rates		
Rates received		
Commercial	6,878,665	6,592,673
Income foregone - rebates	(159,650)	(113,303)
Income foregone - exemption	(852,018)	(836,771)
Income forgone - phasing in	(1,717,008)	(2,505,866)
	4,149,989	3,136,733

The Municipal Property Rate Act was implemented in the year 2009/2010.

The following are the rates randages that were applied to the valuation in respect of the various categories: Residential : R000848 (2010: R0.008) Agriculture - R0.00212 (2010 :R0.002) ,Vacant Land - R 0.00848 (2010 :R0.008) , Industrial : R0.01049 (2010 :0.0099) ,Bussuness and Commercial R0.01049 (2010 : R0.0099) ,Public Service Infrastructue R0.0212 (2010 :R0.002). The Other R0.0149 (2010 : R0.0099) All Residential Propertyu owners are exempt from paying on the first R300000 (2010 : R30000) of the property value.Pensioners ,child headed households ,disability grantees and medicaly boarded are entitled to 20 % discount of their property value (Exclusive of R30000 refered to earlier) on request by application.Further 15 % discount is grante to all properties with land claim.Properties that were rated for the first time in 2009/2010 are entitled to 50 % phasing - In Rebate (2010 :75 %).No retes are levied on the first R15000 (2010 :15000 value of Vacant land.

15. Government grants and subsidies

Equitable share	20,601,419	16,865,957
Library Grant - Art and culture	96,000	90,000
Grants and subsidies - operational	3,745,721	-
Municipal Infrastructure Grant to purchase PPE	10,039,148	6,215,693
	34,482,288	23,171,650

Equitable Share

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

16. Other revenue

Commissions received	5,998	4,399
Other Revenue	324,823	1,021,483
Library Photocopies	7,287	4,483
Clearance Certificates	8,556	8,040
Subscription Library	215	143
Tender Fees	51,967	26,649
Building Plan	91,987	214,211
Library Fees	5,280	28,513
Capacity Building : Income	-	16,660
Recovery of unauthorised, irregular, fruitless and wasteful expenditure	-	2,087
	496,113	1,326,668

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
17. General expenses		
Stores and Materials	63,807	17,797
Advertising	77,582	42,691
Auditors Fees	606,835	238,729
Bank charges	89,003	69,686
Materials	7,249	2,001
Legal Expenses	35,259	98,031
Valuation Fees	2,456	-
Discount allowed	153,397	112,114
Capacity Building	5,702	-
Insurance	104,075	93,302
Community development and training	1,769,772	1,825,172
Conferences and seminars	89,551	37,987
Lease rentals on operating lease	304,448	417,328
Licence Renewal	7,169	4,200
Disaster Management	61,593	175,796
Fuel and oil	326,890	184,357
Postage and courier	21,080	11,967
Printing and stationery	210,886	134,566
Protective clothing	44,078	23,680
Security (Guarding of municipal property)	84,079	121,703
Telephone and fax	506,610	911,980
Training	123,858	72,583
Subsistence and travelling	19,627	214,156
Waste Management	109,681	34,426
Electricity	444,688	383,768
Gas	-	178
Tourism development	-	8,622
Art and Culture	114,594	186,842
Building Control	73,577	140,316
Bursaries	-	7,515
Civic and Hospitality	94,800	98,358
Miscellaneous Expenses	27,779	519,470
Stale Cheques	-	(28,558)
Chemicals	210,429	-
Convention bureau	94,433	-
	5,884,987	6,160,763

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
18. Employee related costs		
Basic	9,932,552	8,729,838
Bonus	644,569	509,972
Medical aid - company contributions	390,272	377,907
UIF	6,000	3,211
WCA	83,497	85,871
SDL	27,782	73,673
Leave pay provision charge	358,770	462,952
Cell Phone Allowances	40,000	38,400
Post-employment benefits - Pension - Defined contribution plan	1,340,231	982,038
Travel, motor car, accommodation, subsistence and other allowances	243,136	229,573
Overtime payments	483,204	293,090
Acting allowances	15,694	-
Housing benefits and allowances	67,715	217,014
Bargaining Council Contributions	3,557	91,503
	13,636,979	12,095,042
Remuneration of municipal manager		
Annual Remuneration	647,769	597,788
Travel Allowance	36,000	36,000
Back Pay	9,997	-
Contributions to UIF, Medical and Pension Funds	28,137	73,544
Reimbursement	8,835	-
Cellphone Allowances	12,000	12,000
	742,738	719,332
Remuneration of chief finance officer		
Annual Remuneration	494,030	452,414
Travel Allowance	60,000	60,000
Back Pay	8,324	-
Contributions to UIF, Medical and Pension Funds	48,689	-
Other Allowances	-	76,544
Cellphone Allowances	9,600	9,600
	620,643	598,558
Remuneration of Manager of Community Services		
Annual Remuneration	491,281	452,414
Travel Allowance	72,000	60,000
Back Pay	8,324	-
Contributions to UIF, Medical and Pension Funds	13,677	76,544
Cellphone Allowance	9,600	9,600
Housing Allowances	42,000	-
	636,882	598,558
Remuneration of Manager Technical Services		
Annual Remuneration	-	147,363
Travel Allowance	-	32,000
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	643
Other Allowances	-	44,000
Leave Pay	-	113,268
	-	337,274

Mkhambathini Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2011	2010
18. Employee related costs (continued)		
Remuneration of Manager of Corporate Services		
Annual Remuneration	539,900	243,600
Travel Allowance	60,000	32,000
Leave Pay	-	72,072
Contributions to UIF, Medical and Pension Funds	1,497	10,539
Cellphone Allowance	9,600	12,000
Back Pay	55,574	-
	666,571	370,211
19. Remuneration of councillors		
Executive Major	539,309	539,309
Deputy Executive Mayor	421,479	421,479
Speaker	428,136	428,136
Other Councillors	1,654,056	1,661,150
Exco Member (Part time)	219,343	219,343
	3,262,323	3,269,417
20. Investment revenue		
Interest revenue		
Interest Earned	361,621	168,349
21. Depreciation and amortisation		
Property, plant and equipment	1,878,966	1,714,586
Intangible assets	91,228	-
	1,970,194	1,714,586
22. Auditors' remuneration		
Fees	606,835	238,729
23. Cash generated from operations		
Surplus	12,688,704	6,607,888
Adjustments for:		
Depreciation and amortisation	1,970,194	1,714,586
Loss on sale of assets and liabilities	(69,600)	(113,225)
Debt impairment	396,957	-
Changes in working capital:		
Other debtors	(1,183,000)	235,394
Consumer debtors	(762,956)	(1,349,424)
Trade and other payables	476,325	(5,221,344)
Other receivable	155,332	(698,079)
Unspent conditional grants and receipts	875,856	2,339,460
	14,547,812	3,515,256

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
24. Commitments		
24.1. Committed in respect of Capital Expenditure		
Approved and contracted for :		
• Care Centre	159,541	-
• Community Infrastructure	118,218	-
• Road Infrastructure	224,553	-
	502,312	-
24.2. Operating Lease (Expenditure)		
• Within One Year	85,090	85,090
• In Second year to Five Years	-	85,090
	85,090	170,180
<p>This committed expenditure relates to property and will be financed by available bank facilities , existing cash resources, funds internally generated, etc.</p>		
25. Related parties		
Related party transactions		
Transactions with Councillors		
Cllr E. Ngcongo	-	21,750
Cllr T.A. Gwala	-	49,250
Cllr T.Z. Maphumulo	-	7,200
Cllr M.E. Ngcongo	-	3,700
Compensation to accounting officer and other key management		
Post-employment benefits - Pension - Defined contribution plan	67,715	217,014
26. Prior period errors		
<p>The correction of the error(s) results in adjustments as follows:</p>		
Property ,Plant and Equipment		
Amount Previously Reported	-	41,317,086
Adjustments	-	(15,026,395)
Total	-	26,290,691
Accumulated Surplus		
Amount previously reported	-	25,809,378
Adjustment	-	(2,628,901)
Total	-	23,180,477
Revaluation Reserves		
Amount Previously Rerported	-	16,476,501
Adjustment	-	(12,397,493)
	-	4,079,008

27. Going concern

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

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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28. Irregular expenditure

Irregular Expenditure - current year	739,807	-
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The Municipality has reported the total amount of R 739807 for this financial year ended 30 June 2011 ,which derives from the diviations of the Municipal Supply Chain Management Policy on contract of R 30000 to R200000.The amount of R564 808 is awiating condonement by council and the amount of R174 999 was condoned by council subsequent to the end of the financial year.

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand

29. Statement of comparative and actual information

2011

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance							
Property rates and Penalties	3,742,460	3,742,460	3,742,460	4,149,989	(407,529)	111 %	111 %
Government Grants and Subsidies	33,746,000	34,574,000	34,574,000	-	34,574,000	- %	- %
Interest earned - External Investments	100,000	370,000	370,000	361,621	8,379	98 %	362 %
Other Income Incl.Fines	464,530	356,140	356,140	24,443,140	(24,087,000)	6,863 %	5,262 %
Licences and Permits	2,100,000	2,100,000	2,100,000	2,961,314	(861,314)	141 %	141 %
Total revenue (excluding capital transfers and contributions)	40,152,990	41,142,600	41,142,600	31,916,064	9,226,536	78 %	79 %
Employee costs	(14,520,265)	(13,074,084)	(13,074,084)	(13,636,979)	562,895	104 %	94 %
Remuneration of councillors	(3,619,203)	(3,405,693)	(3,405,693)	(3,262,323)	(143,370)	96 %	90 %
Repairs and Maintainance	(430,000)	(430,000)	(430,000)	(396,957)	(33,043)	92 %	92 %
Depreciation and asset impairment	(1,700,000)	(1,700,000)	(1,700,000)	(1,970,194)	270,194	116 %	116 %
General Expenses	(17,581,900)	(19,773,000)	(19,773,000)	-	(19,773,000)	- %	- %
Grants and Subsidies Paid	-	-	-	(3,745,721)	3,745,721	DIV/0 %	DIV/0 %
Other expenditure	-	(6,100,937)	(6,100,937)	(6,254,334)	153,397	103 %	DIV/0 %
Total expenditure	(37,851,368)	(44,483,714)	(44,483,714)	(29,266,508)	(15,217,206)	66 %	77 %
Surplus/(Deficit)	2,301,622	(3,341,114)	(3,341,114)	2,649,556	(5,990,670)	(79)%	115 %

Mkhambathini Municipality

Annual Financial Statements for the year ended June 30, 2011

Notes to the Annual Financial Statements

Figures in Rand

29. Statement of comparative and actual information (continued)

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	-	-	10,039,148	(10,039,148)	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	2,301,622	(3,341,114)	(3,341,114)	12,688,704	(16,029,818)	(380)%	551 %
Surplus/(Deficit) for the year	2,301,622	(3,341,114)	(3,341,114)	12,688,704	(16,029,818)	(380)%	551 %

Mkhambathini Municipality
Mkhambathini Municipality
Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	1,668,000	-	-	-	-	-	1,668,000	-	-	-	-	-	-	1,668,000
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	8,381,501	-	-	-	-	-	8,381,501	(796,341)	-	-	(164,482)	-	(960,823)	7,420,678
	10,049,501	-	-	-	-	-	10,049,501	(796,341)	-	-	(164,482)	-	(960,823)	9,088,678
Infrastructure														
Roads, Pavements & Bridges	20,068,096	4,024,303	-	974,020	-	-	25,066,419	(36,402)	-	-	(784,199)	-	(820,601)	24,245,818
Storm water	1,396,519	-	-	-	-	-	1,396,519	(153)	-	-	(55,822)	-	(55,975)	1,340,544
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security Measures	110,354	65,000	-	-	-	-	175,354	(88,283)	-	-	(28)	-	(88,311)	87,043
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	21,574,969	4,089,303	-	974,020	-	-	26,638,292	(124,838)	-	-	(840,049)	-	(964,887)	25,673,405
Community Assets														
Care Centres	2,176,296	1,218,549	-	740,920	-	-	4,135,765	(161,331)	-	-	(62,201)	-	(223,532)	3,912,233
Community Centres	1,189,646	1,436,570	-	-	-	-	2,626,216	(190,396)	-	-	(31,704)	-	(222,100)	2,404,116
Community Structures	2,009,200	-	-	-	-	-	2,009,200	(22,437)	-	-	(60,675)	-	(83,112)	1,926,088
Other Facilities	5,659,602	-	-	1,769,931	-	-	7,429,533	(1,036,833)	-	-	(452,473)	-	(1,489,306)	5,940,227
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11,034,744	2,655,119	-	2,510,851	-	-	16,200,714	(1,410,997)	-	-	(607,053)	-	(2,018,050)	14,182,664

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Appendix B

June 2011

Analysis of property, plant and equipment as at 30 June 2011
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	WIP Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	WIP Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
Bins and Containers	363,163	-	-	-	-	-	363,163	(48,521)	-	-	(29,037)	-	(77,558)	285,605
Motor Vehicles	1,190,981	-	-	-	-	(317,000)	873,981	(189,477)	-	-	(77,569)	-	(267,046)	606,935
Computer Equipment	467,959	206,401	-	-	-	-	674,360	(159,044)	-	-	(65,573)	-	(224,617)	449,743
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	516,254	17,668	-	-	-	-	533,922	(187,647)	-	-	(40,399)	-	(228,046)	305,876
Office Equipment	538,129	-	-	-	-	-	538,129	(372,244)	-	-	(38,616)	-	(410,860)	127,269
Plant and Equipment	314,658	18,421	-	-	-	-	333,079	(185,561)	-	-	(15,558)	-	(201,119)	131,960
Sundry	72,702	-	-	-	-	-	72,702	(58,161)	-	-	(630)	-	(58,791)	13,911
Tools and Equipment	30,537	-	-	-	-	-	30,537	(23,080)	-	-	-	-	(23,080)	7,457
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,494,383	242,490	-	-	-	(317,000)	3,419,873	(1,223,735)	-	-	(267,382)	-	(1,491,117)	1,928,756
Total property plant and equipment														
Land and buildings	10,049,501	-	-	-	-	-	10,049,501	(796,341)	-	-	(164,482)	-	(960,823)	9,088,678
Infrastructure	21,574,969	4,089,303	-	974,020	-	-	26,638,292	(124,838)	-	-	(840,049)	-	(964,887)	25,673,405
Community Assets	11,034,744	2,655,119	-	2,510,851	-	-	16,200,714	(1,410,997)	-	-	(607,053)	-	(2,018,050)	14,182,664
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	3,494,383	242,490	-	-	-	(317,000)	3,419,873	(1,223,735)	-	-	(267,382)	-	(1,491,117)	1,928,756

