



# *Chapter 4*

## ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDED 30 JUNE 2010

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I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 56, 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 29 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.

A handwritten signature in black ink, appearing to read 'S A Mokweni'.

S A MOKWENI  
MUNICIPAL MANAGER

## OTHER INFORMATION

<i>Nature of Business</i>	Langeberg Municipality is a medium capacity, local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996).	
<i>Country of Origin and Legal Form</i>	South African local municipality as defined by the Municipal Structures Act (Act no 117 of 1998)	
<i>Councillors</i>	Executive Mayor	S J Ngonyama
	Deputy Mayor	C J Grootboom
	Speaker	M W H du Preez
	Member of Mayco	E J Vollenhoven
	Member of Mayco	O C Simpson
	Councillor	J Adams
	Councillor	J D Burger
	Councillor	M Carelse-Snyman
	Alderman	R de Jong
	Councillor	L H de Koker
	Councillor	G R Fielies
	Councillor	P W Horne to 18/6/2010
	Councillor	M P Janse
	Councillor	A N Mhlambeni
	Councillor	N E Mpokotye
	Councillor	W S Nyamana
	Councillor	J Thomson
	Councillor	T M van der Merwe
	Councillor	S W van Eeden
	Councillor	F F van Wyk to 23/3/2010
	Councillor	PA Bothman from 2/4/2010
	Councillor	HF Mangenengene from 21/7/2010
<i>Directors</i>	Municipal Manager	S A Mokweni
	Chief Financial Officer	C F Hoffmann
	Director: Infrastructure Development	J de K Jooste
	Director: Community Services	M J Mhlom
	Director: Corporate Services	A W J Everson
<i>Principal Bankers</i>	ABSA P O Box 4453 Tyger Valley 7536	
<i>Auditors</i>	Auditor-General of South Africa P O Box 446 Pretoria 0001	
<i>Attorneys</i>	Muller Baard du Toit P O Box 41 Robertson 6705	

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*Relevant Legislation*    The Constitution of the Republic of South Africa (Act 108 of 1996)  
Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Note	2010 R	2009 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		401,290,979	373,829,967
Capital replacement reserve	2	36,340,353	32,992,064
Capitalisation reserve	2	28,811,377	31,522,164
Government grant reserve	2	122,483,339	83,574,741
Accumulated Surplus		213,655,910	225,740,998
<b>Non-current liabilities</b>		76,970,675	75,602,790
Long-term liabilities	3	42,466,160	45,521,793
Finance leases liabilities	4	76,440	310,185
Non-current provisions	5	3,651,376	3,342,318
Employee Benefits	6	30,776,699	26,428,494
<b>Current liabilities</b>		62,959,787	51,727,263
Employee Benefits	6	11,352,505	9,217,911
Consumer deposits	7	4,942,211	4,598,639
Provisions	8	1,728,673	1,050,816
Trade payables	9	28,164,119	27,273,107
Unspent conditional grants and receipts	10	10,364,866	5,089,927
VAT Payable	11	4,525,626	2,747,293
Short-term loans	12	-	-
Current portion of long-term liabilities	3	1,653,333	1,570,939
Current portion of finance leases liabilities	4	228,454	178,631
<b>Total Net Assets and Liabilities</b>		541,221,441	501,160,020
<b>ASSETS</b>			
<b>Non-current assets</b>		419,943,632	377,263,165
Property, plant and equipment	13	399,102,853	357,001,791
Non-current assets held for sale	14	-	-
Investment property	15	17,975,480	17,977,979
Intangible Assets	16	1,144,027	1,112,750
Investments	18	6,318	4,685
Long-term receivables	19	1,714,954	1,165,960
<b>Current assets</b>		121,277,809	123,896,855
Inventory	20	10,619,181	8,634,622
Trade receivables from exchange transactions	21	16,819,867	12,600,103
Other receivables - Non exchange transactions	22	3,861,214	2,510,927
Conditional grants receivable	10	10,710,805	1,505,566
Current portion of long-term debtors	19	1,984,451	2,542,374
Cash and cash equivalents	23	77,282,291	96,103,264
<b>Total Assets</b>		541,221,441	501,160,020

## STATEMENT OF FINANCIAL PERFORMANCE

	Note	2010 R	2009 R
<b>REVENUE</b>			
<i>Revenue from non-exchange transactions</i>			
Property rates	24	22,470,346	20,323,699
Property rates - penalties imposed and collection charges		217,756	230,923
Government grants and subsidies	26	80,029,472	50,202,239
Fines		2,101,095	3,125,430
<i>Revenue From Exchange Transactions</i>			
Service charges	25	208,816,112	165,229,142
Rental of facilities and equipment		1,369,844	1,077,335
Interest earned - external investments		7,338,969	10,789,908
Interest earned - outstanding receivables		1,078,880	1,385,766
Dividends received		-	-
Licences and permits		788,522	1,120,388
Income for agency services		1,472,329	1,911,063
Other income	27	8,787,112	11,589,830
Changes in fair values			1,346,799
Gains on disposal of property, plant and equipment		-	-
<b>Total Revenue</b>		<b>334,470,437</b>	<b>268,332,523</b>
<b>EXPENDITURE</b>			
Employee related costs	28	92,865,759	78,176,721
Remuneration of Councillors	29	4,995,472	4,730,734
Bad debts		5,231,860	6,414,120
Collection costs		911,009	714,633
Depreciation	13, 15	21,986,188	20,592,351
Amortisation - Intangible Assets	16	292,174	194,823
Repairs and maintenance		9,024,037	10,616,905
Interest paid	30	8,041,666	8,881,080
Bulk purchases	31	98,707,237	71,344,891
Contracted services		1,524,235	2,757,519
Grants and subsidies paid	32	13,206,376	9,748,267
Operating Grant Expenditure		1,146,042	969,446
General expenses	34	36,817,201	32,515,543
Changes in Fair Value (Loss)		1,745,690	
Loss on disposal of property, plant and equipment		10,514,479	4,891,171
<b>Total Expenditure</b>		<b>307,009,425</b>	<b>252,548,205</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>27,461,012</b>	<b>15,784,318</b>

Refer to Appendix E(1) for explanation of variances

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Housing Development Fund R	Capital Replacement Reserve R	Capitalisation Reserve R	Government Grant Reserve R	Accumulated Surplus/ (Deficit) R	Total R
<b>2009</b>						
<i>Balance at 30 June 2008</i>	<i>3,051,267</i>	<i>29,451,578</i>	<i>34,565,829</i>	<i>74,850,080</i>	<i>216,126,896</i>	<i>358,045,649</i>
Net surplus/(deficit) for the year		-	-	-	15,784,318	15,784,318
Transfer to/from CRR	-	25,000,000	-	-	(25,000,000)	-
Property, plant and equipment purchased	-	(21,459,514)	-	-	21,459,514	-
Capital grants used to purchase PPE	-	-	-	13,506,765	(13,506,765)	-
Capital grants used to purchase Intangible Assets	-	-	-	38,340	(38,340)	-
Transfer to/(from) Housing Development Fund	(3,051,267)	-	-	-	3,051,267	-
Asset disposals	-	-	(210)	(4,684)	4,893	-
Offsetting of depreciation	-	-	(3,043,455)	(4,807,301)	7,850,756	-
Offsetting of amortization - Intangible Assets	-	-	-	(8,459)	8,459	-
<i>Balance at 30 June 2009</i>	<i>0.00</i>	<i>32,992,064</i>	<i>31,522,164</i>	<i>83,574,741</i>	<i>225,740,998</i>	<i>373,829,967</i>
<b>2010</b>						
<i>Balance at 30 June 2009</i>	<i>0</i>	<i>32,992,064</i>	<i>31,522,164</i>	<i>83,574,741</i>	<i>225,740,998</i>	<i>373,829,967</i>
Net surplus/(deficit) for the year		-	-	-	27,461,012	27,461,012
Transfer to/from CRR	-	25,000,000	-	-	(25,000,000)	-
Property, plant and equipment purchased	-	(21,562,726)	-	-	21,562,726	-
Intangible Assets purchased	-	(88,985)	-	-	88,985	-
Capital grants used to purchase PPE	-	-	-	42,605,001	(42,605,001)	-
Capital grants used to purchase Intangible Assets	-	-	-	234,467	(234,467)	-
Asset disposals	-	-	(111,222)	(16,498)	127,720	-
Offsetting of depreciation	-	-	(2,599,566)	(3,875,915)	6,475,480	-
Offsetting of amortization - Intangible Assets	-	-	-	(38,457)	38,457	-
<i>Balance at 30 June 2010</i>	<i>0.00</i>	<i>36,340,353</i>	<i>28,811,377</i>	<i>122,483,339</i>	<i>213,655,910</i>	<i>401,290,979</i>

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		320,617,311	258,480,114
Property Rates		21,756,924	19,718,144
Sales of goods and services		205,801,732	166,660,460
Grants		76,099,172	50,164,443
Other receipts		16,959,483	21,937,067
Cash paid to suppliers and employees		(261,006,612)	(203,569,587)
Employee cost		(92,865,759)	(78,176,721)
Cash paid to suppliers		(144,199,326)	(100,888,438)
Other payments		(23,941,527)	(24,504,428)
Cash generated from/(utilised in) operations	35	59,610,699	54,910,526
Interest received		7,338,969	10,789,908
Interest paid		(8,041,666)	(8,881,080)
Increase in consumer deposits		343,572	262,117
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>59,251,574</b>	<b>57,081,471</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(75,790,863)	(46,217,527)
Proceeds on disposal of fixed assets		1,191,634	21,383
Purchase of in Intangible Assets		(323,452)	(804,253)
Purchase of Investment Properties		-	(112,000)
(Increase)/decrease in long-term receivables		8,929	1,405,898
(Increase)/decrease in non-current investments		(1,634)	(203)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(74,915,386)</b>	<b>(45,706,703)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		-	18,648,515
Repayment of borrowings		(2,973,239)	(2,990,571)
New leases raised		41,373	559,211
Leases repaid		(225,295)	(157,970)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(3,157,161)</b>	<b>16,059,184</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(18,820,973)</b>	<b>27,433,952</b>
Cash and cash equivalents at the beginning of the year	36	96,103,264	68,669,312
Cash and cash equivalents at the end of the year	36	77,282,291	96,103,264
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(18,820,973)</b>	<b>27,433,952</b>



## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2010**

### **1.1 Basis of preparation**

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

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

The exemptions as set out in Government Gazette 30013 were taken by the municipality. Full compliance with GRAP will therefore only be required for the year ended 30 June 2011.

Accounting Policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These Accounting Policies and the applicable disclosures have been based on International Public Sector Accounting Standards (IPSAS) and the South African Statements of Generally Accepted Accounting Practices (SA GAAP), including any interpretations of such Statements issued by the Accounting Practices Board.

### **1.2 Presentation currency**

These annual financial statements are presented in South African Rand.

### **1.3 Rounding**

The amounts reflected in the financial statements of the Municipality are all in Rand, and all amounts are rounded off to the nearest Rand.

### **1.4 Offsetting**

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

### **1.5 Going concern assumption**

These annual financial statements are prepared on the basis that the municipality will remain a going concern for the foreseeable future.

### **1.6 Comparative information**

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.

### **1.7 Budget information**

A reconciliation between the approved budget surplus and statement of financial performance surplus/deficit was included as a note to the financial statements.

**1.8 Table 4.1: The following Standards have been issued, but are not yet effective:**

GRAP No	Description	Effective date	Anticipated impact on financial statements
18	Segment Reporting	Unknown	Disclosure only
21	Impairment of non-cash generating assets	Unknown	No material impact. Requirements of GRAP 21 are similar to the requirements of IAS 36 (Impairment of assets) and IPSA 21 (Impairment of non-cash generating assets), applied by the municipality during the 2008/09 financial year.
23	Revenue from non-exchange transactions	Unknown	Disclosure only
24	Presentation of Budget Information in Financial Statements	Unknown	Disclosure only
25	Employee Benefits	Unknown	New standard of GRAP dealing with the requirements around accounting and disclosure of employee benefits including short term, long term and post retirement benefits. The impact of this is currently being assessed by management.
26	Impairment of cash generating assets	Unknown	No impact. Requirements of GRAP 26 are similar to the requirements of IAS 36 (Impairment of assets) applied by the municipality during the 2008/09 financial year.
103	Heritage Assets	Unknown	New standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of heritage assets. The impact is currently being assessed by management.
104	Financial Instruments	Unknown	New standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of heritage assets. The impact is currently being assessed by management.
	Improvements to the Standards of GRAP	Proposed effective date 1 April 2011	Improvements are proposed to the following standards of GRAP: 1-4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project. The impact of this is currently being assessed by management.

**1.9 Significant judgements and sources of estimation uncertainty**

The preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

### **Trade receivables / Held to maturity investments and/or loans and receivables**

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

The impairment of the municipality's trade and other receivables is based on incurred losses in accordance with the provisions of IAS 39. The historical loss experience of the municipality, based on observable data through the passage of time, is used to estimate the impairment of trade and other receivables. Any changes in the payment status of customers in a specific group or national or local economic conditions that correlate with defaults on the assets in the group will have an impact on the impairment of trade and other receivables.

### **Allowance for slow moving, damaged and obsolete inventory**

An allowance for inventory, to write down to the lower of cost or net realisable value (or current replacement cost where inventory is held in distribution or for consumption in the production process at no charge or a nominal charge). Management has made estimates of the selling price and direct cost to sell inventory items.

### **Provisions**

The provisions raised by the municipality are detailed in note 5. These provisions represent management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

### **Useful lives and residual values**

The estimation of the useful lives and residual values of assets is based on management's judgement. Management considers the condition and use of the individual assets to determine the remaining period over which the asset is expected to be available for use by the municipality or the number of production or similar units expected to be obtained from the asset. Any material adjustment to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

### **Impairment testing**

Management is required to make judgements concerning the cause, timing and amount of impairment. In the identification of impairment indicators, management considers the impact of changes in current competitive conditions, cost of capital, availability of funding, technological obsolescence, discontinuance of services and other circumstances that could indicate that an impairment exists. The municipality applies the impairment assessment to its separate cash generating units. This requires management to make significant judgements and estimates concerning the existence of impairment indicators, separate cash generating units, remaining useful lives of assets, projected cash flows and net realisable values. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

### **Determination of the recoverable amount of a cash-generating unit**

Where impairment indicators exist, the determination of the recoverable amount of a cash generating unit requires management to make assumptions to determine the fair value less costs to sell. Key assumptions on which management has based its determination of fair values less costs to sell include projected revenues, earnings multiple, capital expenditure and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of the impairment.

### **Determination of the recoverable serviced amount of non-cash-generating assets**

Where impairment indicators exist, the determination of the recoverable service amount of a non-cash generating asset requires management to make assumptions to determine the fair value less costs to sell and the value in use based on the depreciated replacement cost model. Key assumptions include the current replacement cost of non-cash generating assets and in certain instances an assumption about the commissioning date which determines the depreciated replacement cost of the non-cash generating asset.

### **Finance and operating leases**

In determining lease classification the municipality evaluated whether leases are clearly operating leases or finance leases. Based on qualitative factors it is concluded whether leases are finance or operating leases.

### **Post-retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

### **Post-retirement medical benefits and long service awards**

The assumptions used to calculate the municipality's obligation with regards to post-retirement medical benefits, ex gratia pension payments and long service awards as more fully described in note 6. Any changes to these assumptions will have an impact on the liability at the reporting date and the related expenses to be recognised in the Statement of Financial Performance.

### **Allowance for doubtful debt**

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

## **1.10 The accumulated surplus / (deficit) consists of the following reserves:**

- Capital Replacement Reserve (CRR)
- Capitalisation Reserve
- Government Grant Reserve
- Housing Development Fund
- Accumulated Surplus / (Deficit) due to the results of operations

### **1.10.1 Capital Replacement Reserve ( CRR)**

In order to finance the future provision of infrastructure and other items of property, plant and equipment from internal sources amounts are transferred out of the accumulated surplus/(deficit) into the Capital Replacement Reserve (CRR) in terms of a Council resolution. The cash allocated to the CRR can only be utilised to finance items of property, plant and equipment. The following provisions are set for the creation and utilisation of the CRR:

- The cash which backs up the CRR is invested until it is utilised. The cash may only be invested in accordance with the investment policy of the municipality.
- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance.
- The CRR may only be utilised for the purpose of purchasing items of property, plant and equipment for the municipality and may not be used for the maintenance of these items.
- The CRR is reduced and the accumulated surplus/ (deficit) credited with corresponding amounts when the funds are utilised.
- The amounts transferred to the CRR are based on the Municipality's need to finance future capital projects.
- The Chief Financial Officer determines the annual contribution to the CRR.

#### **1.10.2 Capitalisation Reserve**

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/ (deficit) in terms of a directive (budget circular) issued by National Treasury.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/ (deficit). When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

#### **1.10.3 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/ (deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

#### **1.10.4 Housing Development Fund**

The Housing Development Fund was established in terms of Section 15(5) and 16 of the Housing Act, (Act 107 of 1997), which came into operation on 1 April 1998, requires that the municipality maintain a separate housing operating account. Loans from National and Provincial Government used to finance housing developments undertaken by the Municipality were extinguished on 1 April 1998 and transferred to the Housing Development Fund.

The Housing Act also requires in terms of Section 14(4) (d) (ii) (aa) read with, inter alia, Section 16(2) that the net proceeds of any rental, sale of property or alienation, financed previously from government housing funds, be paid into a separate operating account and be utilised by the Municipality for housing development subject to the approval of the Provincial MEC responsible for housing.

The following provisions are set for the creation and utilisation of the Housing Fund:

- The proceeds in this fund are utilised for housing developments in accordance with the National Housing Policy and also for housing development projects approved by the MEC.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.
- Interest earned on the investments backing up this fund is recorded as part of interest earned in the Statement of Financial Performance and is then transferred via the Statement of Changes in Net Assets to the Housing Development Fund.
- Any surplus / (deficit) on the Housing Statement of Financial Performance must be transferred to the Housing Development Fund.

#### **1.10.5 Revaluation Reserve**

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/ (deficit). On disposal the net revaluation surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on current values, are credited or charged to the Statement of Financial Performance.

### **1.11 Employee Benefits**

#### **Short-term employee benefits**

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absences occurs.

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

#### **Long-term employee benefits**

The Municipality operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

#### **Defined contribution plans**

A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

#### **Defined benefit plans**

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the accounting period in which it occurs.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

#### **Post Retirement Medical obligations**

The Municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance. These obligations are valued annually by independent qualified actuaries

#### **Long Service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries at year-end and the corresponding liability is raised.

Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

### **1.12 Provisions and contingencies**

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of expenditures expected to be required to settle the obligation; using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Provisions are reviewed at 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 benefits or service potential will be required, to settle the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision.

Provisions are not recognised for future operating deficits. The present obligation under an onerous contract is recognised and measured as a provision.

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

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

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

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

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

### 1.13 Leases

#### 1.13.1 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 held under finance leases are initially recognised as assets of the Municipality at their fair value at the inception of the lease or, if lower at the present value of the minimum lease payments. The corresponding liability is measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to surplus or deficit. 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 lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



### 1.13.2 Municipality as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return to the Municipality's net investment outstanding in respect of the leases. 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.

## 1.14 Property Plant and Equipment

### 1.14.1 Initial Recognition

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

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

Where an asset is acquired by the municipality for no or 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.

### 1.14.2 Subsequent Measurement – Cost Model

Property, plant and equipment are stated at historical cost less depreciation and any accumulated impairment losses.

Incomplete construction work is stated at historic cost. Depreciation only commences when the asset is commissioned into use. Historical cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Financial Performance during the financial period in which they are incurred.

### 1.14.3 Depreciation and Impairment

Depreciation is charged so as to write off the cost or valuation of assets, other than land and buildings under construction over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

**Table 4.2:**

Infrastructure	Years	Other	Years
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
Community		Specialised plant and	
Improvements	30	Equipment	10-15
Recreational Facilities	20-30	Other plant and Equipment	2-5
Security	5	Landfill sites	15

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Heritage assets, which are defined as culturally significant resources are not depreciated as they are regarded as having an infinite life. Land is also not depreciated for the same reason.

### 1.14.4 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised (net) in the Statement of Financial Performance. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the Accumulated Surplus/ (Deficit) directly in the Statement of Changes in Net Assets.

*The Municipality has elected to make use of the following transitional provision of Directive 4 relating to GRAP 17 on property, plant and equipment:*

- Application of the components approach in respect of infrastructure assets
- Review of useful life of item of PPE recognised in the annual financial statements.
- Review of the depreciation method applied to PPE recognised in the annual financial statements.

## 1.15 Intangible Assets

### 1.15.1 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.

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.

### 1.15.2 Subsequent Measurement – Cost Model

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

### 1.15.3 Amortisation and impairment

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

Computer Software 5 years

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

### 1.15.4 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.

The Municipality has elected not to make use of the transitional provision of Directive 4 relating to GRAP 102 on intangible assets as the municipality is in full compliance with the requirements of this Standard.

## 1.16 Investment Property

### 1.16.1 Initial Recognition

Investment property, which is property (land and/or buildings) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production and/or supply of goods and services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at its cost. Including transaction costs once it meets the definition. However where an investment property was acquired through a non-exchange transaction (i.e. where it is acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### 1.16.2 Subsequent Measurement – Fair value Model

Subsequent to initial recognition investment properties are shown at fair value, based on periodic, but at least every four years, valuations by external independent valuers. Any gain or loss arising from change in the fair value of the investment property is included in surplus or deficit for the period in which it arises. The Municipality has elected to make use of the following transitional provision of Directive 4 relating to GRAP 16 on investment property:

- The entire standard to the extent that the property is accounted for in terms of GRAP 17.
- Disclosure of the fair value of investment property if the cost model is applied.

## 1.17 Non-Current Assets Held for Sale

### 1.17.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 1.17.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## 1.18 Inventories

### 1.18.1 Initial Recognition

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

### **1.18.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

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 (FIFO) method.

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values. Consumables are written down with regard to their age, condition and utility.

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.

## **1.19 Financial Instruments**

### **1.19.1 Initial recognition and measurement**

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

The municipality classifies financial instruments or their components, on initial recognition as a financial asset, a financial liability or a residual interest in accordance with the substance of the contractual arrangement.

Financial instruments are recognised initially at fair value.

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

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

### **1.19.2 Subsequent Measurement**

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

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

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses. Amortised cost refers to the initial carrying amount, plus interest less repayments.

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

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

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. Amortised cost refers to the initial carrying amount, plus interest and less repayments.

### **1.19.3 Fair value determination**

Fair value information for trade and other receivables is determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The fair value of quoted investments is based on current bid prices.

### **1.19.4 Impairment of financial assets**

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

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

Impairment losses are recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the financial asset's carrying amount and the present value of estimated cash flows discounted at the effective interest rate computed at initial recognition.

An impairment of trade receivables, long term receivables and other receivables is accounted for by reducing the carrying amount through use of an allowance account (provision for debt impairment account), and the amount of the loss is recognised in surplus or deficit within operating expenses.

### **1.19.5 Available-for-sale financial assets**

Available-for-sale financial assets are initially and subsequently measured at fair value.

Gains and losses arising from changes in fair value of an available for sale financial asset are recognised in net assets until the asset is disposed of or determined to be impaired.

## **Financial Assets**

A financial asset is any asset that is a cash equivalent or contractual right to receive cash. The municipality has the following types of financial assets as reflected in the Statement of Financial Position or in the notes thereto:

- Investment in Short term Fixed Deposits included in Cash and Cash Equivalents
- Long-term Receivables
- Trade Receivables
- Other Receivables
- Unpaid conditional grants and receipts
- Cash and Cash Equivalents

The Financial Assets of the municipality are presently classified as follows into two categories:

**Table 4.3:**

Type of Financial Asset	Classification in terms of IAS 39.09
Listed Investments	Available for sale
Investments in Short term Fixed Deposits	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Unpaid conditional grants and receipts	Loans and receivables
Bank Balances and Cash	Loans and receivables

### Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected in the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Provisions
- Payables
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Consumer Deposits
- Finance lease liabilities

Financial liabilities are not measured at fair value through profit or loss therefore measured as "other financial liabilities".

### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus and deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue, all outstanding amounts in respect of indigents) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

**Consumer Debtors** are stated at cost less a provision for bad debts. The provision is made by assessing the recoverability of consumer debtors collectively after grouping the debtors in financial asset groups with similar credit risk characteristics.

### **Trade Payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are highly measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### **Bank overdraft**

Bank overdrafts are recorded based on the facility utilised. Finance charges on the 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.

### **Borrowings / Long term liabilities**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Financial Performance over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Municipality has the unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

### **Accrued Leave Pay**

Liability for annual leave is recognised as it accrues to employees. Provision is based on the total accrued leave days at year-end.

### **Unutilised Conditional Grants**

Unutilised conditional grants are reflected on the Statement of Financial Position as a creditor – Unutilised conditional grants. They represent unspent government grants, subsidies and contributions from the public. This creditor always has to be backed by cash. The following provisions are set for the creation and utilisation of this creditor:

- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.
- Whenever an asset is purchased out of the unutilised conditional grant an amount equal to the cost price of the asset purchased is transferred from the Unutilised Conditional Grant into the statement of financial performance as revenue. Thereafter an equal amount is transferred on the Statement of changes in net assets to a Government Grant Reserve. This reserve is equal to the remaining depreciable value (book value) of assets purchased out of the Unutilised Conditional Grants. The Government Grant Reserve is used to offset depreciation charged on assets purchased out of the Unutilised Conditional Grants.



### 1.19.6 Derecognition

#### Financial assets

A financial asset (or, where applicable a part of a financial assets or part of group financial assets) is derecognised where:

- the rights to receive cash or cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay under a “pass-through” arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset; or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

#### Financial liabilities

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

*The requirement that financial assets and liabilities (previously instruments) should initially be measured at fair value has been exempted in terms of General notice 552 of 2007.*

### 1.20 Value Added Tax

The Municipality accounts for Value Added Tax on revenue and expenditure on the cash basis.

### 1.21 Impairment of Tangible and Intangible Assets

At each Statement of Financial Position date the municipality reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the municipality estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Financial Performance, unless the asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a Revaluation Reserve increase.

### 1.22 Revenue from Exchange Transactions

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

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

Revenue from the sale of electricity and water prepaid meter cards are recognised at the point of sale.

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

Service charges from sewerage and sanitation for residential and business properties are levied monthly based on a fixed tariff.

Interest and rentals are recognised on a time proportion basis.

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

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

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment. Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on unutilised conditional grants is allocated directly to the unutilised conditional grant creditor, if the grant conditions indicate that interest is payable to the funder.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

### 1.23 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 related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

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 a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

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 are 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.

#### 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. Grants without any conditions attached are recognised as revenue when the asset is recognised.

### 1.24 Related parties

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arm's length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the municipality.

### 1.25 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.

#### 1.26 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), and 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.

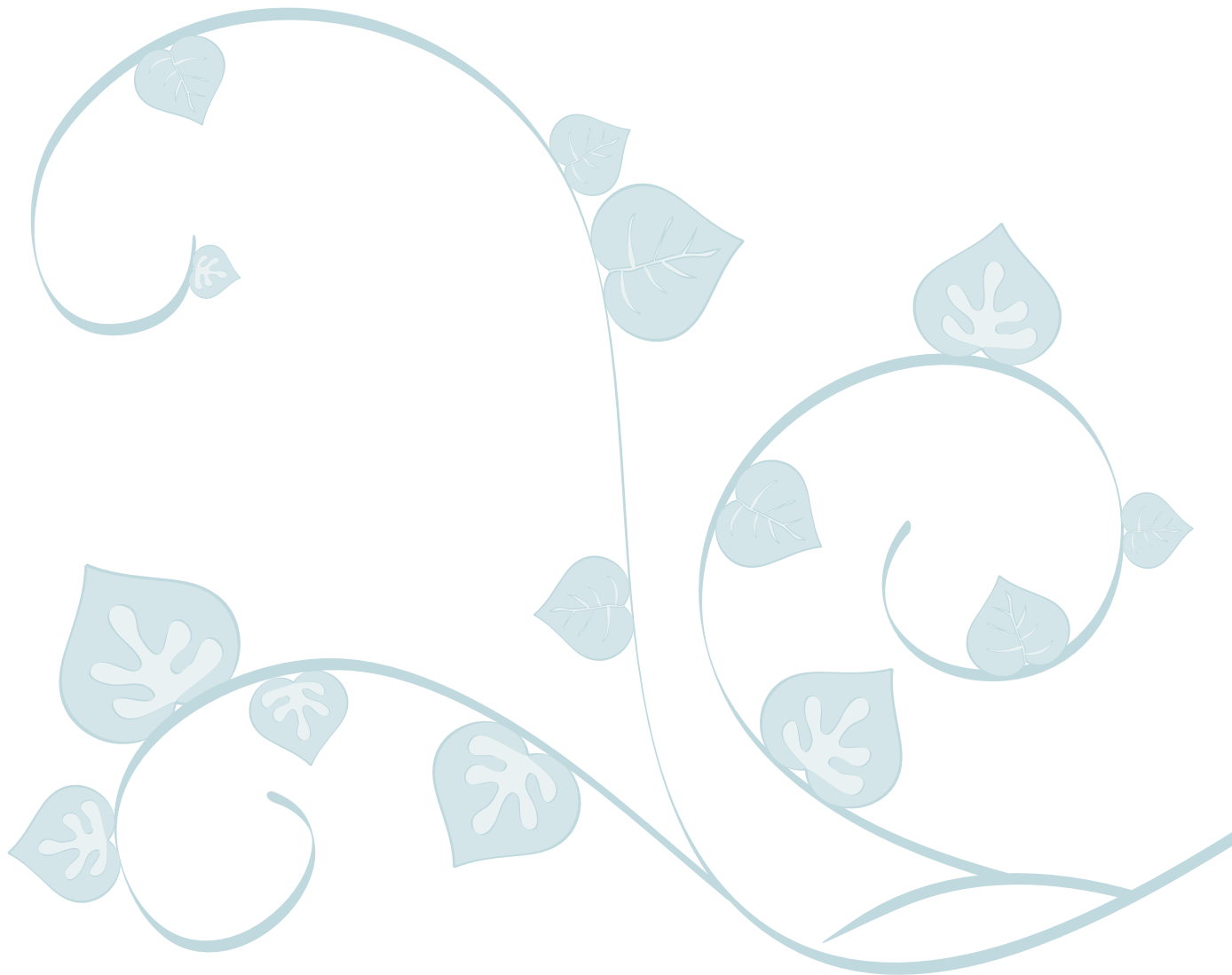
#### 1.27 Fruitless and Wasteful Expenditure

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.

#### 1.28 Other Exemptions Taken not Elsewhere Disclosed in This Policy

*The Municipality has elected to make use of the following additional transitional provision of Directive 4:*

- *Classification, measurement and disclosure of non-current assets held for sale.*



## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>2 NET ASSET RESERVES</b>		
RESERVES		
Capital Replacement Reserve	36,340,353	32,992,064
Capitalisation Reserve	28,811,377	31,522,164
Government Grant Reserve	122,483,339	83,574,741
Total Nett Asset Reserve Assets and Liabilities	187,635,069	148,088,969
<b>3 LONG-TERM LIABILITIES</b>		
Annuity Loans - At amortised cost	44,119,493	47,092,732
Less : Current portion transferred to current liabilities	(1,653,333)	(1,570,939)
Total External Loans - At amortised cost	42,466,160	45,521,793
The municipality has not defaulted on any of the long term liability payments.		
A bond is registered on the Town Hall of Ashton in favour of the Development Bank of South Africa as security for the following loans:		
1) Extension - Municipal Offices	288,000	288,000
2) Vehicle Testing Station	298,000	298,000
3) Paving	157,000	157,000
4) Electrification - Industrial Area	40,000	40,000
	783,000	783,000
The outstanding amounts on the above loans are.	487,915	513,093
Debtors to the value of R 2 500 000 is ceded to the Development Bank of South Africa as security for the following loans: (Loan WC 13452)		
1) Bulk Water Supply	2,301,237	2,301,237
2) Moveable Assets	150,000	150,000
3) Infrastructure Development	3,065,550	3,065,550
	5,516,787	5,516,787
The outstanding amounts on the above loans are.	2,621,553	2,891,449
Debtors to the value of R 650 000 is ceded to the Development Bank of South Africa as security for the following loans: (Loan WC 13586)		
1) Moveable Assets	390,000	390,000
2) Infrastructure Development	1,080,000	1,080,000
	1,470,000	1,470,000
The outstanding amounts on the above loans are.	488,350	534,860

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>4 FINANCIAL LEASE LIABILITY</b>		
Capitalised Lease Liability - At amortised cost	304,894	488,816
Less : Current portion transferred to current liabilities	(228,454)	(178,631)
<b>Total Financial Lease Liability - At amortised cost</b>	<b>76,440</b>	<b>310,185</b>
The obligations under finance leases are scheduled below:	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	254,728	178,631
Payable within two to five years	80,302	200,710
	335,030	379,341
Less: Future finance obligations	30,136	5,274
<b>Present value of lease obligations</b>	<b>304,894</b>	<b>374,067</b>
Less: Amounts due for settlement within 12 months	(228,454)	(178,631)
<b>Amount due for settlement after 12 months</b>	<b>76,440</b>	<b>195,436</b>
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance leases.		
Leases are secured by property, plant and equipment. - Note 13		
The municipality has not defaulted on any of the financial lease liability payments.		
<b>5 NON-CURRENT PROVISIONS</b>		
Rehabilitation of Landfill-sites	3,651,376	3,342,318
<b>Total</b>	<b>3,651,376</b>	<b>3,342,318</b>
Opening balance	3,645,369	3,600,540
Contribution for the year	309,059	44,829
	3,954,428	3,645,369
Less: Transfer of current portion to current provisions - Note 8	(303,051)	(303,051)
<b>Closing balance</b>	<b>3,651,376</b>	<b>3,342,318</b>
<b>6 EMPLOYEE BENEFITS</b>		
Accumulated leave Accrual	6,027,149	5,503,602
Performance Bonus	423,197	338,849
Annual Bonus Accrual	2,606,918	2,266,609
Long Service Awards	4,016,492	3,633,984
Post Retirement Medical	28,165,670	23,903,360
"Provision for Backpay"	889,778	
	42,129,204	35,646,405

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>6 EMPLOYEE BENEFITS (continued)</b>		
Less: Transfer of current portion to current provisions		
Accumulated leave Accrual	6,027,149	5,503,602
Performance Bonus	423,197	338,849
Annual Bonus	2,606,918	2,266,609
Long Service Awards	462,935	271,478
Post Retirement Medical	942,528	837,372
"Provision for Backpay"	889,778	
Current Portion	11,352,505	9,217,911
Non Current Portion	30,776,699	26,428,494

	Balance at beginning of year	Charged against Statement of Financial Performance	Payments made	Balance at end of year
<b>30 June 2010</b>				
Accumulated leave	5,503,602	999,918	(476,371)	6,027,149
Performance Bonus	338,849	434,373	(350,025)	423,197
Annual Bonus	2,266,609	5,190,122	(4,849,813)	2,606,918
Long Service Awards	3,633,984	653,986	(271,478)	4,016,492
Post Retirement Medical	23,903,360	5,099,682	(837,372)	28,165,670
"Provision for Backpay"		889,778		889,778
<b>Total</b>	<b>35,646,404</b>	<b>13,267,858</b>	<b>(6,785,059)</b>	<b>42,129,204</b>

	Balance at beginning of year	Charged against Statement of Financial Performance	Payments made	Balance at end of year
<b>30 June 2009</b>				
Accumulated leave	4,705,086	1,344,672	(546,156)	5,503,602
Performance Bonus	336,350	362,955	(360,456)	338,849
Annual Bonus	1,951,325	4,000,687	(3,685,403)	2,266,609
Long Service Awards	3,443,004	567,997	(377,017)	3,633,984
Post Retirement Medical	22,336,903	2,333,989	(767,532)	23,903,360
<b>Total</b>	<b>32,772,668</b>	<b>8,610,300</b>	<b>(5,736,564)</b>	<b>35,646,405</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>6 EMPLOYEE BENEFITS (continued)</b>		
Other defined benefit plan information		
Post Employment Health Care Benefits		
The Post Employment Health Care Benefit plan is a defined benefit plan, of which the members are made up as follows:		
In-service (employee) members	173	142
Continuation members (e.g. retirees, widows)	45	46
<b>Total</b>	<b>218</b>	<b>188</b>
The liability in respect of past service has been estimated to be as follows:		
In-service members	15,153,335	12,079,972
Continuation members	13,012,335	11,823,388
<b>Total</b>	<b>28,165,670</b>	<b>23,903,360</b>
The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:		
Bonitas;		
Hosmed		
LA Health		
Munimed, and		
SAMWU Medical Aid		
The Future-service Cost for the ensuing year is estimated to be	1,412,903	1,097,399
Interest- Cost for the next year is estimated to be	2,554,745	2,155,885
Amounts recognised in Statement of Financial Position		
Present value of fund obligations	28,165,670	23,903,360
Fair value of plan assets	-	-
<b>Net liability / (asset)</b>	<b>28,165,670</b>	<b>23,903,360</b>
Amounts recognised in Statement of Financial Performance		
Current service cost	1,097,399	1,040,792
Interest Cost	2,155,885	2,374,971
Actuarial (gains) / losses	1,846,398	(1,081,774)
	<b>5,099,682</b>	<b>2,333,989</b>



## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>6 EMPLOYEE BENEFITS (continued)</b>		
Reconciliation of present value of defined benefit obligation:		
Present value of fund obligation at the beginning of the year	23,903,360	22,336,903
Amounts recognised in Statement of Financial Performance	5,099,682	2,333,989
Benefits Paid	(837,372)	(767,532)
Present value of fund obligation at the end of the year	<u>28,165,670</u>	<u>23,903,360</u>
Key assumptions used:		
Discount rate	9.22%	9.18%
Health Care Cost Inflation Rate	7.27%	7.81%
Net Effective Discount Rate	1.82%	1.27%
Sensitivity analysis		
The effect of a one percent movement in the assumed rate of Health Care Cost Inflation is as follows:		
Increase	Amount	Percentage Change
Effect on the aggregate of the Current-Service and Interest cost	3,787,200	16.00%
Effect on the Defined Benefit Obligation	32,297,000	15.00%
Decrease		
Effect on the aggregate of the Current-Service and Interest cost	2,818,700	-13.00%
Effect on the Defined Benefit Obligation	24,758,000	-12.00%
Provision for Long Service Awards		
The Long Service Awards plans are defined benefit plans. As at year end, 650 employees were eligible for Long Service Bonuses.		
The liability in respect of Long Service Awards has been estimated to be as follows:	<u>4,016,492</u>	<u>3,663,984</u>
The Future-service Cost for the ensuing year is estimated to be	495,974	431,007
Interest- Cost for the next year is estimated to be	342,126	322,054
Amounts recognised in Statement of Financial Position		
Present value of fund obligations	4,016,492	3,663,984
Fair value of plan assets	-	-
Net liability / (asset)	<u>4,016,492</u>	<u>3,663,984</u>

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>6 EMPLOYEE BENEFITS (continued)</b>		
Amounts recognised in Statement of Financial Performance		
Current service cost	431,007	475,146
Interest Cost	322,054	357,673
Actuarial (gains) / losses	(99,075)	(264,822)
	<u>653,986</u>	<u>567,997</u>
Reconciliation of present value of defined benefit obligation:		
Present value of fund obligation at the beginning of the year	3,633,984	3,443,004
Amounts recognised in Statement of Financial Performance	653,986	567,997
Benefits Paid	(271,478)	(377,017)
Present value of fund obligation at the end of the year	<u>4,016,492</u>	<u>3,633,984</u>
Key assumptions used:		
Discount rate	9.03%	9.20%
General Salary Inflation Rate	6.40%	6.61%
Net Effective Discount Rate	2.47%	2.43%
<b>7 CONSUMER DEPOSITS</b>		
Municipal Services	4,942,210	4,598,639
Total Consumer Deposits	<u>4,942,210</u>	<u>4,598,639</u>
The fair value of consumer deposits approximate their carrying value.		

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>8 PROVISIONS</b>		
Provision for SALA Pension Fund	956,670	747,765
Accrued Contribution	634,110	531,913
Accrued Interest	322,560	215,852
Provision-Contribution to CJPF	468,952	-
Accrued Contribution	468,952	
Accrued Interest		
Current portion of rehabilitation of landfill sites provision - Note 5	303,051	303,051
<b>Total Provisions</b>	<b>1,728,673</b>	<b>1,050,816</b>

The movement in current provisions are reconciled as follows: -

	Current portion Landfill Site	Cape Joint Pension Fund	SALA Pension Fund
Balance at beginning of year	303,051		747,765
Transfer from non-current	-		
Contributions to provision	-	352,542	208,905
Expenditure incurred	-		
<b>Balance at end of year</b>	<b>303,051</b>	<b>352,542</b>	<b>956,670</b>

## 9 TRADE PAYABLES

Sundry Payables: Exchange transactions		
Trade payables	23,067,060	22,553,959
Income received in advance	3,221,154	2,387,735
Insurance Claims	-	430,707
Suspense	-	235,502
Retentions and Guarentees	225,977	166,747
Deposits: Other	1,649,928	1,498,457
<b>Total Creditors</b>	<b>28,164,119</b>	<b>27,273,107</b>

Payables being paid within 30 days are being recognised net of discounts.

The municipality has not defaulted on any of the trade payable payments.

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
Conditional Grants from other spheres of Government		
Unspent Grants	10,364,866	5,089,927
Less: Grants receivable	10,710,805	1,505,566
Total Conditional Grants and Receipts	<u>(345,939)</u>	<u>3,584,362</u>
See appendix "F" for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised and approximate its carrying value. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised (Note 26). No grants were withheld.		
<b>11 VAT PAYABLE</b>	<u>4,525,626</u>	<u>2,747,293</u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		
<b>12 SHORT-TERM LOANS</b>		
The Municipality has no short term loans		



## NOTES TO THE FINANCIAL STATEMENTS

### 13 PROPERTY, PLANT AND EQUIPMENT

30 June 2010

Reconciliation of Carrying Value

	Land and Buildings R	Infrastructure R
Carrying values at 1 July 2009	68,618,906	172,108,417
Cost	111,879,571	239,312,996
Accumulated depreciation	(43,260,665)	(67,204,579)
Acquisitions	23,928,549	43,020,920
Transfers	-	5,739,000
Depreciation **	(2,689,096)	(12,346,485)
Carrying value of disposals	(9,307,281)	(2,225)
Cost/revaluation	(19,540,000)	(2,849)
Accumulated depreciation	10,232,719	624
Carrying values at 30 June 2010	80,551,078	208,519,626
Carrying values at 30 June 2010	80,551,078	208,519,627
Cost	116,268,120	288,966,313
Accumulated depreciation	(35,717,042)	(80,446,687)

Tuesday, June 30, 2009

Reconciliation of Carrying Value

	Land and Buildings R	Infrastructure R
Carrying values at 1 July 2008	71,731,847	153,451,906
Cost	116,024,190	209,404,240
Accumulated depreciation	(44,292,343)	(55,952,334)
Acquisitions	4,893,381	29,908,756
Depreciation	(3,117,149)	(11,252,245)
Carrying value of disposals	(4,889,174)	-
Cost/revaluation	(9,038,000)	-
Accumulated depreciation	4,148,826	-
Carrying values at 30 June 2009	68,618,906	172,108,417
Carrying values at 30 June 2009	68,618,906	172,108,417
Cost	111,879,571	239,312,996
Accumulated depreciation	(43,260,665)	(67,204,579)

The leased property, plant and equipment is secured as set out in Note 4.

## NOTES TO THE FINANCIAL STATEMENTS

Community R	Leased Assets R	Other R	Work in Progress R	Total R
62,281,979	442,103	53,550,386		357,001,791
77,129,323	785,811	87,844,271		516,951,971
(14,847,343)	(343,708)	(34,293,885)		(159,950,180)
2,948,194	41,373	5,461,067	390,760	75,790,863
64,961		(5,803,961)		-
(1,339,084)	(207,431)	(5,401,592)		(21,983,688)
-	-	(2,396,607)		(11,706,113)
		(3,393,180)		(22,936,029)
		996,573		11,229,916
63,956,050	276,044	45,409,294	390,760	399,102,853
63,956,050	276,044	45,409,294		399,102,853
80,153,045	827,184	83,201,384	390,760	569,806,806
(16,196,994)	(551,139)	(37,792,090)		(170,703,952)
Community R	Leased Assets R	Other R		Total R
61,480,314	81,502	49,664,549		336,410,119
75,027,707	226,600	79,160,928		479,843,665
(13,547,393)	(145,098)	(29,496,379)		(143,433,547)
2,101,616	559,211	8,754,564		46,217,527
(1,299,950)	(198,610)	(4,845,347)		(20,713,301)
-	-	(23,380)		(4,912,554)
-	-	(71,221)		(9,109,221)
-	-	47,841		4,196,667
62,281,979	442,103	53,550,386		357,001,791
62,281,979	442,103	53,550,386		357,001,791
77,129,323	785,811	87,844,271		516,951,971
(14,847,343)	(343,708)	(34,293,885)		(159,950,180)

## NOTES TO THE FINANCIAL STATEMENTS

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### **13 PROPERTY, PLANT AND EQUIPMENT (Continued)**

The Municipality has taken advantage of the transitional provisions set out in GRAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise will be completed by 30 June 2011. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.

- Property, Plant and Equipment (GRAP 17) Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]
- Property, Plant and Equipment (GRAP 17) Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]
- Property, Plant and Equipment (GRAP 17) Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]
- Property, Plant and Equipment (GRAP 17) Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]
- Impairments of Assets (AC 128) Entire Standard
- Intangible Assets (GRAP 102) The entire standards except for the recognition, measurement and disclosure of the computer software and website costs (AC 432).

Refer to Appendix B for more detail on property, plant and equipment, including those in the course of construction.

### **14 NON-CURRENT ASSETS HELD FOR SALE**

Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.

- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100) Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6-14, 15-29 (in so far as it relates to non-current assets held for sale), 38-42]

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>15 INVESTMENT PROPERTY</b>		
Cost	18,008,000	18,008,000
Balance 30 June 2009	18,008,000	17,896,000
Acquisitions for the year - At cost	-	112,000
Less: Accumulated Depreciation	32,521	30,021
Balance 30 June 2009	30,021	27,521
Depreciation for the year	2,500	2,500
Total Investment Properties	17,975,479	17,977,979
The fair value of the investment properties has not been determined in terms of the exemption in terms of the transitional provisions.		
Revenue to the amount of R Nil was earned from the Investment Properties, which is a return of nil %.		
<b>16 INTANGIBLE ASSETS</b>		
Cost	1,740,126	1,416,674
Balance 30 June 2009	1,416,674	612,421
Acquisitions for the year - At cost	323,452	804,253
Less: Accumulated Amortisation	596,099	303,924
Balance 30 June 2009	303,924	109,101
Amortisation for the year	292,175	194,823
Total Intangible Assets	1,144,027	1,112,750
Exemptions taken according to the exemptions gazetted in terms of Government Notice No. 30013 of 29 June 2007 and specifically paragraph 3(2) b of the notice.		
<ul style="list-style-type: none"> <li>Intangible Assets (GRAP 102) The entire standards except for the recognition, measurement and disclosure of the computer software and website costs (AC 432).</li> </ul>		
<b>17 BIOLOGICAL ASSETS</b>		
The Municipality has no biological assets	-	-



## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>18 INVESTMENTS</b>		
Financial Instruments		
Listed		
Sanlam Shares held at fair value, available for sale 270 shares	6,318	4,685
<b>Total Investments</b>	<b>6,318</b>	<b>4,685</b>
The marker value per share at year end	23.40	17.35
<b>19 LONG-TERM RECEIVABLES</b>		
Provincial Government Housing Loans - At amortised cost	3,008,104	2,924,766
Provincial Government Library Services	-	3,898,905
Staff Study loans - At amortised cost	165,473	115,644
Services connections - At amortised cost	523,498	474,581
Land Sales - At amortised cost	581,897	619,789
Agreements with Consumer Debtors	8,970,408	9,612,187
	<b>13,249,380</b>	<b>17,645,873</b>
Less: Provision for debt impairment	(9,549,975)	(13,937,538)
Provincial Government Library Services	-	(3,898,905)
Land Sales - At amortised cost	(579,566)	(426,446)
Agreements with Consumer Debtors	(8,970,409)	(9,612,187)
	<b>3,699,405</b>	<b>3,708,334</b>
Less : Current portion transferred to current receivables	(1,984,451)	(2,542,374)
<b>Total</b>	<b>1,714,954</b>	<b>1,165,960</b>
<b>20 INVENTORY</b>		
Consumable Stores - Stationery and materials	10,552,658	8,634,622
Water - At cost	53,898	-
Compost - At cost	12,625	-
<b>Total Inventory</b>	<b>10,619,181</b>	<b>8,634,622</b>
Consumable stores will be utilised by the municipality in their daily operations and is recorded at cost		

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>21 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>		
Water	5,677,673	4,002,621
Electricity	11,273,773	8,718,839
Housing Rentals	634,763	710,271
Refuse	2,122,524	2,691,030
Sanitation	2,689,306	3,456,222
Other Arrears	1,331,387	1,429,153
Prepaid Expenses	293,090	-
<b>Total : Trade receivables from exchange transactions</b>	<b>24,022,516</b>	<b>21,008,136</b>
Less: Provision for debt impairment	(7,202,649)	(8,408,032)
Water	(2,090,108)	(2,131,195)
Electricity	(1,071,098)	(970,878)
Housing Rentals	(578,353)	(664,771)
Refuse	(1,153,193)	(1,644,115)
Sanitation	(1,505,531)	(2,112,182)
Other Arrears	(804,366)	(884,892)
<b>Total</b>	<b>16,819,867</b>	<b>12,600,103</b>
Debtor accounts written off during the year:	11,371,064	4,148,495
The carrying amount of trade and other receivables approximate their fair value, due to their short term maturity.		
Trade receivables are secured by consumer deposits.	4,942,210	4,598,639
(Electricity, Water, Refuse, Sanitation and Other): Ageing		
Current (0 – 30 days)	12,550,404	9,794,812
31 - 60 Days	3,508,378	1,670,234
61 - 90 Days	959,318	997,142
+ 90 Days	7,004,417	8,545,948
<b>Total</b>	<b>24,022,517</b>	<b>21,008,135</b>

## NOTES TO THE FINANCIAL STATEMENTS

2010

2009

R

R

21

TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Summary of Debtors by Customer Classification

	Residential	Industrial/ Commercial	National and Provincial Government
30 June 2010	R	R	R
Current (0 – 30 days)	3,298,816	8,594,462	657,126
31 - 60 Days	950,479	2,504,690	53,209
61 - 90 Days	735,226	200,291	23,800
+ 90 Days	5,624,810	1,222,458	157,149
Sub-total	10,609,331	12,521,901	891,285
Less: Provision for debt impairment	(6,027,523)	(1,028,416)	(146,710)
Total debtors by customer classification	4,581,808	11,493,485	744,575

30 June 2009	R	R	R
Current (0 – 30 days)	3,016,455	6,734,717	43,640
31 - 60 Days	1,024,143	644,512	1,578
61 - 90 Days	741,999	253,778	1,364
+ 90 Days	7,251,389	1,254,644	39,915
Sub-total	12,033,986	8,887,652	86,498
Less: Provision for debt impairment	(7,325,150)	(1,060,620)	(22,262)
Total debtors by customer classification	4,708,836	7,827,031	64,236

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>22 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Taxes - Rates	4,774,374	4,060,952
Availability Charges	2,613,581	2,143,205
Accrued Interest	1,375,658	-
Other Debtors	393,836	669,454
Other Receivables from Non-Exchange Transactions	9,157,449	6,873,612
Less: Provision for debt impairment	(5,296,235)	(4,362,685)
Taxes - Rates	(3,015,375)	(2,516,923)
Availability Charges	(2,248,759)	(1,823,571)
Other Debtors	(32,101)	(22,192)
<b>Total</b>	<b>3,861,214</b>	<b>2,510,927</b>
<b>Rates: Ageing</b>		
Current (0 – 30 days)	1,305,865	1,114,764
31 - 60 Days	268,339	220,236
61 - 90 Days	107,688	122,629
+ 90 Days	3,092,482	2,603,323
<b>Total</b>	<b>4,774,374</b>	<b>4,060,952</b>
<b>Availability Charges: Ageing</b>		
Current (0 – 30 days)	172,507	134,444
31 - 60 Days	74,705	72,646
61 - 90 Days	63,545	57,946
+ 90 Days	2,302,825	1,878,169
<b>Total</b>	<b>2,613,581</b>	<b>2,143,205</b>
Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.		
The fair value of other receivables approximate their carrying value.		
<b>PROVISION FOR DEBT IMPAIRMENT</b>		
Balance at beginning of year	26,708,255	24,442,631
Charged against Statement of Financial Performance	6,711,668	6,414,120
Amounts written off	-11,371,064	-4,148,495
<b>Balance at end of year</b>	<b>22,048,859</b>	<b>26,708,255</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>23 CASH AND CASH EQUIVALENTS</b>		
Assets		
Call Investment Deposits	75,000,000	92,146,276
Primary Bank Account	2,274,074	3,949,482
Cash Floats	8,217	7,507
<b>Total Cash and Cash Equivalents - Assets</b>	<b>77,282,291</b>	<b>96,103,264</b>
The effective interest rate was 7.82% (2009: 6.98%).		
The Municipality has the following bank accounts: -		
Current Account (Primary Bank Account)		
ABSA - Account Number 1050000008 (Primary Account)	2,363,202	8,467,487
ABSA - Account Number 4062728351	850	3,100
	<b>2,364,052</b>	<b>8,470,587</b>
Cash book balance at beginning of year	3,949,482	17,575,502
Cash book balance at end of year	2,274,074	3,949,482
Bank statement balance at beginning of year - (overdrawn)	8,470,587	30,105,298
Bank statement balance at end of year - (overdrawn)	2,364,052	8,470,587
The Municipality has the following investments: -		
Nedbank - Account Number 18662451/9998	-	31,974
Nedbank - Account Number 03/7881034971/000008	25,000,000	31,277,260
Standard bank - Account Number 288478061-001	30,000,000	30,590,301
ABSA - Account Number 20 6978 9534	20,000,000	30,246,740
	<b>75,000,000</b>	<b>92,146,276</b>
Amount ringfenced in investments -Fixed and Call - Accounts in order to fund the Capital Replacement Reserve	36,340,353	32,992,064
Amount ringfenced in investments -Fixed and Call- Accounts - in order to fund the Unspent Conditional Grants	10,364,866	5,089,927
The effective interest rate was 6.98% (2009: 6.98%).		
Investments made to serve as collateral security for staff housing loans.	-	31,974

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>24 PROPERTY RATES</b>		
Actual		
Property Rates Levied	29,309,675	25,924,823
Less: Income Foregone	(6,839,329)	(5,601,124)
Total Assessment Rates	22,470,346	20,323,699
Valuations	01 July 2009	01 July 2008
Taxable properties	6,015,464,730	5,946,719,730
Total Property Valuations	6,015,464,730	5,946,719,730
<p>Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2007. The basic rate was 0,96 sent per Rand on land and buildings (2008/2009 = 0,89c/R). There are 16 689 properties of which 13501 are residential. Pensioners qualify for discounts of 40%</p> <p>Rates are levied monthly and payable by the 7th of the following month. Interest is levied at the prime rate on outstanding monthly instalments.</p>		
<b>25 SERVICE CHARGES</b>		
Sale of electricity	154,145,359	118,556,472
Sale of Water	26,830,115	20,814,939
Waste Management charges	12,269,343	14,813,424
Waste Water Management charges	15,571,295	11,044,307
Total Service Charges	208,816,112	165,229,142
Electricity		
Units bought/generated	294,154,313	277,957,301
Units sold	272,645,176	260,178,449
Units lost in distribution	21,509,137	17,778,852
Units lost in distribution (%)	7.312%	6.396%
Cost per unit bought/generated (cents)	R 0.419	R 0.347
Loss in Distribution (at cost)	R 9,007,106	R 6,162,145
Water		
Units bought/treated	7,264,600	7,068,340
Units sold	6,320,140	5,128,221
Units lost in distribution	944,460	1,940,119
Units lost in distribution (%)	13.001%	27.448%
Cost per unit sold (cents)	R 3.817	R 3.942
Loss in Distribution (at selling price)	R 3,605,317	R 7,647,895

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>26 GOVERNMENT GRANTS AND SUBSIDIES</b>		
UNCONDITIONAL GRANTS		
Operating Grants	33 363 266	27 025 097
Equitable Share	33 363 266	27 025 097
 In terms of the Constitution, this grant is an unconditional grant. The grant is primarily used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy equal to basic charges for Electricity, Refuse Removal , Sewerage and Water Services, which subsidy is adjusted as tariffs increase. All residential households receive 6 kl water and indigent households receive between 20 and 50 kwh electricity free every month.		
CONDITIONAL GRANTS		
Operating Grants	3 826 738	3 242 280
Finance Management Grant	682 566	798 779
Municipal Systems Improvement Grant	463,476	798,232
Other	2,680,696	1,645,269
Capital Grants	42 839 468	19 934 862
Municipal Infrastructure Grant	14 776 257	7 669 165
Housing Grant	24,039,425	10,713,700
Finance Management Grant	398,925	
Municipal Systems Improvement Grant	439,027	
Other	3,185,834	1,551,997
 Total Government Grants and Subsidies	 80,029,472	 50,202,239

(See Appendix "F" for a reconciliation of all grants).

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>27 OTHER INCOME</b>		
Administration Cost	110,533	106,306
Availability Fees	2,032,000	1,675,164
Building Plans	466,362	747,250
Cemetery Plots	233,487	228,962
Cleaning Erven	557	-
Commission	114,857	98,350
Compost	19,586	51,502
Connection Costs	1,654,898	2,298,504
Contribution Bulk Services	609,994	1,439,104
Dumping at Landfill Site	367,195	353,933
Development Levies	17,010	62,933
Fire Fighting Charges	39,875	37,288
Hawker Plots	17,377	27,386
Insurance Claims	1,187,129	
Opening & Closing	5,828	9,264
Photostats	61,832	44,836
Plan copies	311	728
Planning Applications	140,951	181,831
Planning Encroachments	9,899	5,845
Previous years corrections	133,004	212,243
Private Work	16,235	13,479
Reconnections	251,684	302,864
Recycling-material Library	10,307	-
Refuse Bags	2,791	2,075
Repairs	231,094	178,580
Repairs - Private	13,772	39,046
Search Fees	-	83
Subdivisions	6,285	10,950
Sundry Income	320,027	770,827
Surplus Cash	9,705	2,442
Tanker	520,647	1,051,509
Transfer Cost	132,130	59,337
Valuation Certificates	49,750	42,304
Housing Income		1,534,908
<b>Total Other Income</b>	<b>8,787,112</b>	<b>11,589,830</b>



## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>28 EMPLOYEE RELATED COSTS</b>		
Employee related costs		
- Salaries and Wages	62,645,303	50,759,473
Employee related costs		
- Contributions for UIF, pensions and medical aids	13,663,660	12,255,997
Travel, motor car, accommodation, subsistence and other allowances	3,875,801	4,119,944
Housing benefits and allowances	598,794	769,920
Overtime Payments	4,127,946	3,067,597
Bonus	5,624,495	4,783,814
Staff Leave	999,918	869,757
Contribution to employee benefits		
- Long Service Awards - Note 6	159,529	475,146
Contribution to employee benefits		
- Post Retirement Medical - Note 6	1,170,313	1,075,073
<b>Total Employee Related Costs</b>	<b>92,865,759</b>	<b>78,176,721</b>

The contribution to employee benefits - Post Retirement Medical includes contributions to the provision as well as the monthly contributions to the medical schemes on behalf of the retired employees.

The Municipality pays for the medical aid of retired officials. There are currently forty six retired officials who qualify for this benefit.

### KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>28 EMPLOYEE RELATED COSTS (Continued)</b>		
REMUNERATION OF KEY MANAGEMENT PERSONNEL		
<i>MUNICIPAL MANAGER: S A MOKWENI</i>		
From 5 April 2007		
Salary	623,864	525,405
Travel Allowance	143,000	153,988
Risk Allowance		
Performance Bonus	104,440	103,854
Pension	112,295	95,283
Medical Aid	19,015	16,686
Equipment Allowance		
Housing Allowance		
U.I.F.		
Entertainment Allowance		
Sundry	21,683	
Compensating Allowance		
Travelling	21,450	12,906
Subsistence	3,505	714
<b>Total</b>	<b>1,049,252</b>	<b>908,836</b>
<i>CHIEF FINANCIAL OFFICER: C F HOFFMANN</i>		
From 1 June 2007		
Salary	444,000	410,000
Travel Allowance	128,222	140,780
Performance Bonus	64,627	59,675
Pension	80,231	74,087
Medical Aid	23,116	21,409
Housing	57,124	
Office allowance	11,383	
Compensating Allowance		
Travelling	5,298	10,900
Subsistence	598	1,089
<b>Total</b>	<b>814,599</b>	<b>717,940</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>28 EMPLOYEE RELATED COSTS (Continued)</b>		
DIRECTOR: INFRASTRUCTURE DEVELOPMENT: J DE K JOOSTE		
From 7 December 2001		
Salary	425,000	346,560
Travel Allowance	156,868	158,513
Performance Bonus	58,165	59,675
Pension	102,000	83,175
Medical Contribution	32,584	29,314
Leave Payout		
Entertainment Allowance		28,715
Sundry	27,623	1,074
Compensating Allowance		
Travelling	3,307	4,434
Subsistence	391	115
<b>Total</b>	<b>805,938</b>	<b>711,575</b>
DIRECTOR: COMMUNITY DEVELOPMENT : M J MHLUM		
From 1 February 2007		
Salary	480,000	420,000
Travel Allowance	134,321	123,603
Housing Allowance		
Performance Bonus	58,165	59,675
Pension	86,400	75,600
Medical Contribution	15,919	13,421
Equipment Allowance	12,545	7,144
Office Allowance	14,891	6,509
Entertainment Allowance		
Sundry		
Compensating Allowance		
Travelling	5,742	2,462
Subsistence	3,204	2,717
<b>Total</b>	<b>811,187</b>	<b>711,131</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>28 EMPLOYEE RELATED COSTS (Continued)</b>		
DIRECTOR: CORPORATE SERVICES: A W J EVERSON		
From 1 June 2007		
Salary	488,625	416,800
Travel Allowance	133,138	125,613
Performance Bonus	64,627	77,577
Pension	87,952	75,024
Medical Contribution	25,445	22,349
Leave Payout		24,857
Equipment Allowance	541	6,491
Office Allowance	8,917	
Compensating Allowance		
Travelling	6,911	15,463
Subsistence	1,873	813
<b>Total</b>	<b>818,029</b>	<b>764,987</b>
DIRECTOR: STRATEGIC SERVICES AND ECONOMIC DEVELOPMENT: P R ESAU		
From 1 October 2006		
Salary		104,103
Travel Allowance		39,186
Leave Payout		11,668
Sundry		21,442
<b>Total</b>	<b>-</b>	<b>176,399</b>
<b>29 REMUNERATION OF COUNCILLORS</b>		
EXECUTIVE MAYOR: S J NGONYAMA		
Allowance	353,816	365,056
Transport	138,752	129,674
Telephone/Cell phone	17,100	15,984
Pension fund	53,073	36,571
Housing	9,367	6929
U.I.F.	1,123	125.2
	<b>573,231</b>	<b>554,339</b>
DEPUTY EXECUTIVE MAYOR: C J GROOTBOOM		
Allowance	320,580	289,852
Transport	63,645	103,739
Telephone/Cell phone	17,100	15,984
Pension fund	48,087	28,469
Sundry		5,178
Housing	11,693	
U.I.F.	1,123	125
Compensating Allowance		
Subsistence		213
	<b>462,228</b>	<b>443,560</b>

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>29 REMUNERATION OF COUNCILLORS (Continued)</b>		
<b>SPEAKER: M W H DU PREEZ</b>		
Allowance	333,004	311,219
Transport	111,001	103,739
Telephone/Cell phone	17,100	15,984
U.I.F.	1,123	125
Compensating Allowance		
Travelling		858
Subsistence	628	1,446
	462,856	433,371
<b>MEMBER OF EXECUTIVE MAYORAL COMMITTEE: O SIMPSON</b>		
Allowance	265,363	271,910
Transport	104,064	97,255
Telephone/Cell phone	17,100	15,984
Pension fund	39,804	26,946
Housing	7,023	4,737
U.I.F.	1,123	125
	434,477	416,957
<b>MEMBER OF EXECUTIVE MAYORAL COMMITTEE: E J VOLLENHOVEN</b>		
From 10 August 2007		
Allowance	265,363	275,048
Transport	93,291	92,685
Telephone/Cell phone	17,100	15,984
Pension fund	39,805	26,946
Medical aid	13,792	5,733
Housing	3,773	3806
U.I.F.	1,123	125.2
Compensating Allowance		
Travelling	1,745	
Subsistence	4,267	
	440,259	420,327
<b>OTHER COUNCILLORS</b>		
Allowance	1,632,044	1,589,306
Transport	589,202	563,839
Telephone/Cell phone	158,875	149,927
Pension fund	162,888	99,349
Medical aid	57,956	45,887
Housing	18,823	10,906
Compensating Allowance		
Travelling	612	2,486
Subsistence	2,022	479
	2,622,422	2,462,179

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>29 REMUNERATION OF COUNCILLORS (Continued)</b>		
Total Councillors' Remuneration	4,995,472	4,730,734
In-kind Benefits		
The Executive Mayor, Deputy Executive Mayor, Mayoral Committee members and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
<b>30 INTEREST PAID</b>		
Long-term liabilities	5,563,727	6,148,436
Employee benefits	2,477,939	2,732,644
Total Interest on External Borrowings	8,041,666	8,881,080
<b>31 BULK PURCHASES</b>		
Water	1,495,792	1,089,587
Electricity	97,211,445	70,255,304
Total Bulk Purchases	98,707,237	71,344,891
<b>32 GRANTS AND SUBSIDIES PAID</b>		
Free Basic Services	13,206,376	9,748,267
Total Grants and Subsidies	13,206,376	9,748,267
<b>33 CHANGES IN FAIR VALUE (LOSS)</b>		
<b>34 GENERAL EXPENSES</b>		
Advertisement Cost	475,858	563,482
Audit Fees	1,530,706	1,322,671
Bake For Profit	65,835	92,197
Bank Fees	462,292	592,527
Books & Ordinances	36,678	65,974
Bouquet / Wreath	750	200
Bursaries	153,967	105,143
Catalyst	31,150	-
Cell phone	734,171	455,859
Chemicals	2,518,003	2,283,238
Cleaning Materials	84,822	89,961
Cleaning Projects	1,632	58,656
Composting	2,665	68,200

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>34 GENERAL EXPENSES (Continued)</b>		
Connections	375,941	746,336
Contractors	59,000	373,141
Delegation Fees	285,388	184,416
Demolition of Buildings	-	96,949
Development Projects	217,333	166,991
Development Projects	279,021	236,146
Disinfectant	36,594	19,695
Education / Advisory Centre	49,897	10,899
Emergency Aid	6,595	15,338
"Entertainment"	130,030	62,510
Events	6,759	35,630
Expenditure-Grants Received	189,200	85,632
Fuel	3,847,448	3,622,319
Integrated Information System	-	110,466
IDP Forums	-	40,511
Grant-in-aid	210,075	176,185
Hiking Trails	64,672	141,301
Insurance Claims	255,529	34,263
Insurance Premiums	875,664	1,002,768
International Relations	25,141	46,325
Irrigation Taxes	11,025	10,500
Jamborees	48,417	18,323
Licenses	5,357	9,111
Licenses/Maintenance Fees	1,140,540	800,620
Machine Rent	-	19,182
Magazines and News Papers	19,978	19,210
Marketing & Branding	179,312	196,495
Medical Examinations	38,421	1,131
Membership Fees	489,198	413,432
MSIG	-	240,962
Municipal Services	9,265,448	7,688,703
Music Rights	11,138	8,286
New Graves	151,230	174,626
Out of Pocket Expenditure	211,000	-
Pauper Burials	43,663	24,986
Pest Control	1,145	1,865
Planting of trees and shrubs	41,614	32,175
Poison	2,206	6,844
Postage	755,072	1,524,746
Poverty Alleviation Projects	2,112,845	-
Previous years corrections	470	40

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>34 GENERAL EXPENSES (Continued)</b>		
Printing - Annual Report	-	91,336
Printing - News Letter	34,461	41,582
Printing & Stationary	940,342	1,189,235
"Professional Services"	1,183,652	554,111
Public Participation	103,578	236
Rebate: Developers	565	302
Refreshments	193,302	174,486
Refuse Bags	508,571	521,934
Refuse Drums	15,296	12,950
Rehabilitation	414,578	390,040
Rent - Fax machine	11,540	2,522
Rent - Photostat Machine	40,025	134,352
S A B S Fees – Tests Station	11,687	10,595
Security	35,288	371,708
Services	26,430	71,684
Shop Stewards	13,582	46,097
Skills Development Expenditure	380,337	507,927
Skills Development Levy (SARS)	767,292	655,370
Spatial Development Framework	28,800	118,791
Speed Humps	-	13,528
Stationary	11,956	-
Subsidy New connections Electr	225,675	36,789
Sundry Expenditure	67,724	171,231
Telephone	1,038,010	601,793
Tests - Sewage Water	90,000	69,500
Tourism Marketing	789,118	692,171
Town Planning Cost	1,218	22,588
Traffic Signs	44,153	80,795
Training	362,696	39,902
Transfer Fees	221,614	125,080
Transport	3,003	166
Uniforms / Protective Clothing	310,775	311,720
Vacancies – Furniture Transport	41,835	19,950
Vacancies – Interview Cost	10,038	21,934
Valuation Costs	271,628	455,846
Vehicle Tracking	13,939	-
Water Tests	95,230	85,810
Web Site	28,039	29,858
Weed killer	83,961	138,985
Workman's Compensation Insurance	856,368	605,472
<b>Total General Expenses</b>	<b>36,817,201</b>	<b>32,515,543</b>



## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>35 CASH GENERATED BY OPERATIONS</b>		
Surplus / (Deficit) for the year	27,461,012	15,784,318
Adjustment for:-		
Depreciation	21,986,188	20,592,351
Amortisation of Intangible Assets	292,174	194,823
Loss (Gain) on disposal of property, plant and equipment	10,514,479	4,891,171
Contribution to employee benefits	6,482,799	2,873,736
Contribution to provisions	986,915	916,043
Investment income	(7,338,969)	(10,789,908)
Interest paid	8,041,666	8,881,080
Operating surplus before working capital changes:	68,426,264	43,343,616
(Increase)/decrease in inventories	(1,984,559)	446,575
(Increase)/decrease in receivables	(4,219,764)	(3,605,508)
(Increase)/decrease in other receivables	(1,350,287)	(267,659)
(Decrease)/increase in unspent conditional grants and receipts	5,274,939	(1,554,022)
Decrease/(increase) in unpaid conditional grants and receipts	(9,205,239)	(542,330)
Increase(decrease) in trade payables	891,012	14,610,595
(Increase)/decrease in VAT payable	1,778,333	2,479,259
Cash generated by/(utilised in) operations	59,610,699	54,910,526
<b>36 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following :		
Bank balances and cash	77,282,291	68,669,312
Bank overdraft	-	-
Total cash and cash equivalents	77,282,291	68,669,312
<b>37 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term liabilities - Note 3	44,119,493	47,581,548
Used to finance property, plant and equipment – at cost	44,119,493	47,581,548
Total	-	-
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
UNAUTHORISED EXPENDITURE		
Reconciliation of unauthorised expenditure		
Opening balance	-	
Unauthorised expenditure current year	12,459,543	
Approved by Council or condoned	(12,459,543)	
Transfer to receivables for recovery		
Unauthorised expenditure awaiting authorisation	-	-
 The housing capital budget was exceeded.	 2,211,680	 -
 Housing is priority number 1 and there are huge needs for houses in our municipal area. We have commence with building work where all projects have been approved. The Municipal Manager and Council are aware of it.		
 We are busy determining how many houses can be built to stay within the approved budget		
 Though the Contract Agreement for the Bonnievale Housing Project was only signed in this financial year, we on approval of this project in the previous financial year started with building work.		
 The corporate services operating budget was exceeded as a result of the loss on the transfer of the Gelukshoop farm. (Small farmers project)	 381,474	
 The Department: Environmental Affairs and Development Planning approved the rezoning application for the Silverstrand Golf and River Estate, subject to a number of conditions. Item 2.4 of the ROD stipulated the following: <i>"A provision that 33 ha of medium to high potential agricultural land with water, which presently belongs to the Municipality, to be provided elsewhere for small farmers, free of charge, shall be made available through a formal contract by the Municipality"</i>		
 It was for this reason that the developer purchased the farm Gelukshoop in the Bonnievale area which was then transferred to the Municipality, free of charge, because the beneficiaries had not yet been identified. After a lengthy consultation process the farm was allocated to the Bonnievale Workers Empowerment Trust. This transfer also occurred without any cost to the Municipality.		

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>		
<p>With the acquisition of the farm from the developer and the transfer thereof at R nil to the municipality the donation was recognised as income in the statement of financial performance and the farm was included in the asset register of the municipality. The market value of the farm (price paid by the developer) was used for the abovementioned transaction in the financial records of the municipality. The transfer thereof at R nil from the municipalities to the beneficiaries, constitutes an expense (loss on disposal of asset) in terms of GRAP. As the timing of the transfer was not known at the time of compiling the budget for 2009/2010, this transaction was not included in the budget.</p> <p>The housing operating budget was exceeded as a result of the transfer of RDP houses.</p> <p>When new RDP houses are constructed from government grants, the government grant is recognised as income in the statement of financial performance if the conditions of the grant were met (the expenditure are incurred), and the houses is included in the asset register of the municipality. The income from this grant is then transferred in the statement of changes in net assets to the government grant reserve.</p> <p>The houses are transferred to the beneficiaries at a later stage at R nil. This transaction constitutes an expense (loss on disposal of asset). This expense is then recovered in the statement of changes in net assets from the government grant reserve.</p> <p>The water operating budget was exceeded as a result of the unexpected growth in demand.</p> <p>The electricity operating budget was exceeded as a result of the unexpected growth in demand.</p> <p>The workshop operating budget was exceeded as a result of the appointment of additional personel.</p> <p><b>TOTAL UNAUTHORISED EXPENDITURE</b></p>	<p>7,398,472</p> <p>83,054</p> <p>2,281,214</p> <p>103,649</p> <p><b>12,459,543</b></p>	

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (Continued)</b>		
IRREGULAR EXPENDITURE		
Reconciliation of irregular expenditure		
Opening Balance	-	
Irregular expenditure current year	1,443,035	
Condoned or written off by Council		
Transfer to receivables for recovery – not condoned		
Irregular expenditure awaiting condonement	1,443,035	-
Purchase of 19m <sup>3</sup> refuse removal compactor truck from Central Motors Suid Kaap (Edms) Bpk truck was awarded to Central Motors Suid Kaap (Edms) Bpk	1,443,035	
Tender number 39 of 2009 for the supply and delivery of a 19m <sup>3</sup> refuse removal compactor truck was awarded to Central Motors Suid Kaap (Edms) Bpk, of which the director Mr Koch indicated in the tender documents that he is a 'part-time councillor' of the Swellendam Municipality. In terms of section 44 of the Municipal Supply Chain Management Regulations and the Supply Chain Management policy the contract should not have been awarded to the company as the director is a person who is in the service of the state.		
TOTAL IRREGULAR EXPENDITURE	1,443,035	
There were no other unauthorised, irregular, fruitless- or wasteful expenditure during the year.		
<b>39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>39.1 Contributions to organized local government</b>		
Opening balance	-	-
Council subscriptions	486,135	410,579
Amount paid - current year	(486,135)	(410,579)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>39 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)</b>		
<b>39.2 Audit fees</b>		
Opening balance	-	-
Current year audit fee	1,530,706	1,322,671
Amount paid - current year	(1,530,706)	(1,322,671)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<b>39.3 Pension and Medical Aid Deductions</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	13,057,458	10,809,222
Amount paid - current year	(13,057,458)	(10,809,222)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<b>39.4 PAYE</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	7,905,050	6,908,667
Amount paid - current year	(7,905,050)	(6,908,667)
Balance unpaid (included in creditors)	-	-
<b>39.5 UIF</b>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	606,202	520,936
Amount paid - current year	(606,202)	(520,936)
Balance unpaid (included in creditors)	-	-
<b>39.6 Councillor's arrear consumer accounts</b>		
There were no Councillors who were in arrears for more than 90 days during the year.		
<b>39.7 VAT</b>		
VAT input receivables and VAT output payables are shown in note 11. All VAT returns have been submitted by the due date throughout the year.		
<b>39.8 Non-Compliance with Chapter 111 of the Municipal Finance Management Act</b>		
The following purchases were made during the year from entities where persons in service of the state have an interest:		
Purchases from Central Motors Suid Kaap (Edms) Bpk, of which the director Mr Koch is a 'part-time councillor' of the Swellendam Municipality.		
	1,443,035	

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
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### 40 CONTINGENT LIABILITY

#### LEGAL DISPUTES

During the year a dispute arose between the municipality and a contractor (Yethu Projects (Pty) Ltd) regarding non performance in terms of the contract for the construction of low cost houses. As a result of this dispute the contractor issued a final payment certificate for R909 919 (incl. VAT). The municipality conducted its own inspection of the construction project and determined that the actual amount outstanding was R663 736 (incl. VAT) and made payment to the contractor. This payment was rejected by the contractor and the cheque was returned to the municipality. In turn the contractor then lodged a claim for an amount of R2 091 894 plus interest thereon at prime plus 0.2% via its attorneys.

The amount of R 663 736 is included in the outstanding creditors as at 30 June 2010, as it is the amount that is regarded as the true expense.

Yethu Projects (Pty) Ltd is in liquidation and the dispute will be finalised by the liquidator. Although the claim by Yethu Projects (Pty) Ltd is for R 2 091 894, it is believed that the amount payable will be between R 663 736 and R 807 759.

As this claim is finalised by the liquidator it is anticipated that no legal cost will be payable by the municipality.

### 41 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for	1,700,000	11,800,000
Infrastructure	1,700,000	11,800,000
Community	-	-
Other	-	-

This expenditure will be financed from:

- External Loans	1,700,000	11,800,000
- Capital Replacement Reserve	-	-
- Government Grants	-	-
- Other	-	-
- District Council Grants	-	-
	1,700,000	11,800,000

## NOTES TO THE FINANCIAL STATEMENTS

### 42 RETIREMENT BENEFIT INFORMATION

Some employees contribute to the Cape Joint Municipal Pension Fund or SAMWU National Provident Fund which is defined contribution funds. Some employees contribute to the South African Local Authorities Pension Fund or the Cape Joint Municipal Pension Fund which is a defined benefit funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs. Full actuarial valuations are performed at least every five years. The last valuation was done on 31 March 2006.

The following table reflects information on the defined benefit retirement, pension and provident funds to which councillors and employees belong, and in respect of which there is not sufficient information available to make more detailed disclosures.

The relevant law requires every fund to do an actuarial valuation at least every three years.

	Last Actuarial Valuation	Total Assets R'000	Total Liabilities R'000	Contributing Members
Cape Joint Pension Fund	June 2009	3,323,529	3,102,920	2
South African Local Authorities Pension Fund	June 2009	5,022,610	4,763,630	41
Cape Joint Retirement Fund	June 2009	6,906,092	6,369,956	479
SAMWU Provident Fund (*)	June 2007	873,969	2,764,426	144
Municipal Councillors Pension Fund (**)	June 2006	737,970	1,240,342	14

NOTE (\*): From an interim valuation report.

NOTE (\*\*): June 2009 results were unavailable, results are as at 30 June 2008 from the audited financial statements

An amount of R10 498 662 (2008/9 = R 8 563 936) was contributed by Council in respect of Councillors'- and employees' retirement funding. These contributions have been expensed.

## NOTES TO THE FINANCIAL STATEMENTS

### 43 COMPARISON WITH THE BUDGET

43.1 CAPITAL BUDGET	BUDGET	ACTUAL	VARIANCE	% VARIANCE
Executive & Council	653,290	687,642	-34,352	-5.26%
Corporate Services	3,400,000	3,386,512	13,488	0.40%
Finance	1,200,000	1,186,642	13,358	1.11%
Local Economic Development	800,000	0	800,000	100.00%
Planning & Development	0	0	0	
Community & Social Services	4,421,000	886,932	3,534,068	79.94%
Housing	27,723,340	29,935,019	-2,211,679	-7.98%
Public Safety	215,000	211,013	3,987	1.85%
Sport & Recreation	1,300,000	153,407	1,146,593	88.20%
Waste Management	3,715,550	2,746,989	968,561	26.07%
Waste Water Management	155,000	154,939	61	0.04%
Road Transport	7,700,000	5,281,821	2,418,179	31.40%
Water	16,647,000	16,080,040	566,960	3.41%
Electricity	16,625,100	15,361,986	1,263,114	7.60%
Leased Assets	0	41,373	-41,373	
<b>TOTAL</b>	<b>84,555,280</b>	<b>76,114,315</b>	<b>8,440,965</b>	<b>9.98%</b>
43.2 OPERATING BUDGET	BUDGET	ACTUAL	VARIANCE	% VARIANCE
<b>EXPENDITURE</b>				
Employee Related Costs	93,823,808	92,865,759	958,049	1.02%
Remuneration of Councillors	5,403,694	4,995,472	408,222	7.55%
Bad debts	7,086,555	5,231,860	1,854,695	26.17%
Collection costs	1,057,750	911,009	146,741	13.87%
Depreciation	26,756,729	21,986,188	4,770,541	17.83%
Amortisation - Intangible Assets	275,400	292,174	-16,774	-6.09%
Repairs and maintenance	12,835,006	9,024,037	3,810,969	29.69%
Interest paid	7,877,396	8,041,666	-164,270	-2.09%
Bulk purchases	91,121,693	98,707,237	-7,585,544	-8.32%
Contracted services	2,132,136	1,524,235	607,901	28.51%
Grants and subsidies paid	15,741,404	13,206,376	2,535,028	16.10%
Operating Grant Expenditure	2,030,444	1,146,042	884,402	43.56%
General expenses	40,004,799	36,817,201	3,187,598	7.97%
Changes in Fair Value ( Loss )	0	1,745,690	-1,745,690	
Loss on disposal of property, plant & equipment	0	10,514,479	-10,514,479	
<b>TOTAL EXPENDITURE</b>	<b>306,146,814</b>	<b>307,009,425</b>	<b>-862,611</b>	<b>-0.28%</b>



## NOTES TO THE FINANCIAL STATEMENTS

2010

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2009

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43

COMPARISON WITH THE BUDGET (Continued)

	BUDGET	ACTUAL	VARIANCE	% VARIANCE
REVENUE				
Property rates	29,603,432	29,309,675	-293,757	-0.99%
Property rates - rebate	-7,938,275	-6,839,329	1,098,946	-13.84%
Property rates - penalties imposed and collection charges	200,000	217,756	17,756	8.88%
Service charges	195,757,550	208,816,112	13,058,562	6.67%
Rental of facilities and equipment	1,400,603	1,369,844	-30,759	-2.20%
Interest earned				
- external investments	9,300,000	7,338,969	-1,961,031	-21.09%
Interest earned				
- outstanding debtors	1,500,000	1,078,880	-421,120	-28.07%
Fines	3,158,300	2,101,095	-1,057,205	-33.47%
Licences and permits	790,041	788,522	-1,519	-0.19%
Income for agency services	991,000	1,472,329	481,329	48.57%
Government grants and subsidies	84,635,261	80,029,472	-4,605,789	-5.44%
Other income	9,805,812	8,787,112	-1,018,700	-10.39%
Changes in fair values	0	0	0	
Gains on disposal of property, plant and equipment	2,000,000	0	-2,000,000	-100.00%
TOTAL REVENUE	331,203,724	334,470,437	3,266,713	0.99%
SURPLUS/(DEFICIT) FOR THE YEAR	25,056,910	27,461,012	2,404,102	9.59%

## 44 FINANCIAL INSTRUMENTS

### 44.1 Classification of Financial Instruments

#### FINANCIAL ASSETS:

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

Financial Assets	100,000,348	127,081,875
Available for sale	6,318	4,685
Investments	6,318	4,685
Listed Investments	6,318	4,685

## NOTES TO THE FINANCIAL STATEMENTS

		2010 R	2009 R
<b>44 FINANCIAL INSTRUMENTS (Continued)</b>			
Loans & Receivables		75,000,000	92,146,276
Short-term Investment Deposits	Note 23	75,000,000	92,146,276
Fixed Deposits		75,000,000	92,146,276
Loans and receivables		24,994,030	34,930,915
Long-term Receivables	Note 19	1,714,954	13,320,521
Provincial Government Housing Loans		1,023,652	2,924,766
Staff Study loans - At amortised cost		165,472	115,644
Services connections - At amortised cost		523,498	474,581
Land Sales - At amortised cost		2,331	193,343
Agreements		-	9,612,187
Other Receivables from Non-Exchange transactions	Note 22	2,485,556	2,510,927
Assessment Rates		1,758,999	1,544,030
Availability Charges		364,823	319,635
Other Debtors		361,735	647,263
Trade Receivables from Exchange transactions	Note 21	16,526,778	12,600,103
Water		3,587,565	1,871,426
Electricity		10,202,675	7,747,962
Housing Rentals		56,410	45,500
Refuse		969,331	1,046,915
Sanitation		1,183,775	1,344,040
Other Arrears		527,021	544,261
Current Portion of Long-term Receivables	Note 19	1,984,451	2,542,374
Provincial Government Housing Loans		1,984,451	2,542,374
Cash and cash equivalents	Note 23	2,282,291	3,956,989
Bank Balances		2,274,074	3,949,482
Cash Floats and Advances		8,217	7,507

## NOTES TO THE FINANCIAL STATEMENTS

		2010 R	2009 R
<b>44 FINANCIAL INSTRUMENTS (Continued)</b>			
FINANCIAL LIABILITIES:			
In accordance with IAS 39.09 the financial Liabilities of the municipality are classified as follows:			
Other Financial Liabilities		44,424,387	47,581,548
Long-term Liabilities		42,542,599	45,831,978
Annuity Loans	Note 3	42,466,159	45,521,793
Other Loans	Note 4	76,440	310,185
Current Portion of Long-term Liabilities		1,881,788	1,749,570
Annuity Loans	Note 3	1,653,333	1,570,939
Other Loans	Note 4	228,454	178,631
Employee Benefits	Note 6	13,073,756	11,743,045
Bonus		2,606,918	2,266,609
Performance Bonus		423,198	338,849
Accumulated leave		6,027,149	5,503,602
Long Service Awards		4,016,492	3,633,984
Provisions	Note 8	1,728,673	1,050,816
Provision for SALA Pension Fund		956,670	747,765
Provision-Contribution to CJPF		468,952	-
Current Portion of Rehabilitation of Land-fill Sites		303,051	303,051
Non-Current Provisions	Note 5	3,651,376	3,342,318
Rehabilitation of Landfill-sites		3,651,376	3,342,318
Consumer Deposits	Note 7	4,942,210	4,598,639
Electricity and Water		4,942,210	4,598,639
Creditors	Note 9	28,164,119	27,273,108
Trade payables		23,067,060	22,553,959
Payments received in advance		3,221,154	2,387,735
Retentions and Guarentees		225,978	166,747
Deposits: Other		1,649,928	1,498,457
Cash and cash equivalents	Note 23	-	-
Bank overdraft		-	-

## NOTES TO THE FINANCIAL STATEMENTS

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### 44 FINANCIAL INSTRUMENTS (Continued)

#### 44.2 Fair Value of Financial Instruments

The Fair Values of Financial Assets and Financial Liabilities are determined as follows:

- the Fair Value of Financial Assets and Financial Liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- the Fair Value of Derivative Instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and
- the Fair Value of Financial Guarantee Contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

#### Quoted Prices

Financial Assets in this category include Listed Redeemable Notes, Bills of Exchange and Debentures. Financial Liabilities include Bills of Exchange and Perpetual Notes.

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

The management of the municipality is of the opinion that the carrying value of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

#### 44.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2008.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 3, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets respectively.

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
<b>44 FINANCIAL INSTRUMENTS (Continued)</b>		
Gearing Ratio		
The gearing ratio at the year-end was as follows:		
Debt	R 42,694,614	R 45,700,424
Net Assets	R 401,290,979	R 373,829,967
Debt to Net Assets ratio	10.64%	12.22%

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 5.

Net Assets includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

### 44.4 Financial Risk Management Objectives

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The municipality seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and in the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the municipality's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

### 44.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### **44 FINANCIAL INSTRUMENTS (Continued)**

#### **44.6 Market Risk**

The municipality's activities expose it primarily to the financial risks of changes in interest rates. Potential concentrations of credit risk and interest rate risk consists mainly of fixed deposit investments, long term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

#### **44.7 Interest Rate Risk Management**

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction limits per financial institution.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance account.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is deemed most appropriate under the circumstances.

## NOTES TO THE FINANCIAL STATEMENTS

### 44 FINANCIAL INSTRUMENTS (Continued)

#### 44.8 Effective Interest Rates and Repricing Analysis

In accordance with IAS 32.67(a) and (b) refer to Appendix A for the indication of the average effective interest rates of Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice. The following indicates the income-earning Financial Assets:

30 June 2010

Description	Note ref in AFS	Average effective Interest Rate	Total
		%	R
VARIABLE RATE INSTRUMENTS			
Short-term Investment Deposits	23	8 - 12%	75,000,000
Bank Balances and Cash	23	8 - 12%	8,217
Total Variable Rate Instruments			75,008,217

30 June 2009

Description	Note ref in AFS	Average effective Interest Rate	Total
		%	R
VARIABLE RATE INSTRUMENTS			
Short-term Investment Deposits	23	8 - 12%	92,146,276
Bank Balances and Cash	23	8 - 12%	3,956,989
Total Variable Rate Instruments			96,103,264

#### 44.9 Other Price Risks

The municipality is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The municipality does not actively trade these investments.

## NOTES TO THE FINANCIAL STATEMENTS

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6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R	R	R
75,000,000				
8,217				
75,008,217	-	-	-	-

6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
R	R	R	R	R
92,146,276				
3,956,989				
96,103,264	-	-	-	-

### 44.10 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.



## NOTES TO THE FINANCIAL STATEMENTS

### 44 FINANCIAL INSTRUMENTS (Continued)

**Table 4.4: 30 June 2010**

Description	Note ref in AFS	Average effective Interest Rate	Carry amount	Contractual cash flows	
DBSA	3	10.00%	146,462	29,593	
DBSA	3	12.00%	21,915	5,228	
DBSA	3	15.00%	622,763	128,325	
DBSA	3	14.00%	370,001	73,566	
DBSA	3	16.00%	1,438,887	293,108	
DBSA	3	16.50%	487,915	105,936	
DBSA	3	15.75%	4,144,873	876,877	
DBSA (Public Debt Commissioner)	3	13.30%	187,779	52,609	
DBSA (Public Debt Commissioner)	3	13.75%	420,035	175,564	
DBSA (Loan Fund)	3	16.15%	77,788	23,264	
DBSA (Loan Fund)	3	16.15%	3,312	2,003	
DBSA	3	16.50%	3,384,222	2,054,918	
DBSA	3	14.22%	1,150,618	219,090	
DBSA	3	14.22%	1,470,934	268,404	
DBSA	3	14.39%	488,350	93,599	
DBSA	3	13.92%	2,222,429	440,616	
DBSA	3	13.92%	927,747	167,198	
DBSA	3	13.92%	-	-	
Cogmanskloof Irrigation Board	3		-	-	
Pensionfund	3	15.10%	324,919	-	
ABSA Bank	3	15.25%	12,844	3,048	
DBSA	3	13.01%	26,138,349	10,800,895	
Finance Leases	0	12.00%	304,894	144,761	

## NOTES TO THE FINANCIAL STATEMENTS

	6 Months or less	6 - 12 Months	1 - 2 Years	3 - 5 Years	More than 5 Years
	R	R	R	R	R
	7,473	7,847	16,890	61,786	52,466
	1,299	1,377	3,007	11,440	4,792
	17,455	18,765	41,857	168,867	375,820
	10,883	11,644	25,791	102,042	219,641
	31,443	33,958	76,284	313,814	983,388
	12,715	13,764	31,028	128,889	301,520
	112,030	120,852	271,006	1,109,440	2,531,545
	13,817	14,736	32,477	126,748	-
	58,904	62,954	139,190	158,987	-
	5,351	5,783	13,004	53,651	-
	734	793	1,784	-	-
	748,260	809,992	1,825,970	-	-
	27,730	29,702	65,890	261,815	765,482
	29,611	31,717	70,359	279,574	1,059,673
	11,660	12,499	27,762	110,678	325,750
	65,616	70,183	155,361	613,728	1,317,541
	19,023	20,347	45,042	177,932	665,402
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	324,919
	545	586	1,310	5,312	5,090
	3,699,756	3,940,481	8,666,805	9,831,307	-
	115,924	112,531	64,151	12,289	-

## NOTES TO THE FINANCIAL STATEMENTS

### 44 FINANCIAL INSTRUMENTS (Continued)

**Table 4.5: 30 June 2009**

Description	Note ref in AFS	Average effective Interest Rate	Carry amount	Contractual cash flows	
				%	
DBSA	3	10.00%	170,407	34,430	
DBSA	3	12.00%	25,560	6,098	
DBSA	3	15.00%	661,289	136,264	
DBSA	3	14.00%	391,731	77,886	
DBSA	3	16.00%	1,507,581	307,101	
DBSA	3	16.50%	513,093	111,402	
DBSA	3	15.75%	4,367,260	923,925	
DBSA	3	13.29%	-	-	
DBSA	3	13.22%	46,786	13,083	
DBSA	3	13.30%	247,555	102,752	
DBSA	3	13.75%	494,572	140,019	
DBSA	3	16.15%	144,387	87,332	
DBSA	3	16.15%	6,147	3,718	
DBSA	3	16.50%	3,526,033	731,683	
DBSA	3	14.22%	1,265,679	230,951	
DBSA	3	14.22%	1,625,769	309,563	
DBSA	3	14.39%	534,859	107,849	
DBSA	3	13.92%	2,434,089	438,671	
DBSA	3	13.92%	986,384	158,348	
DBSA	3	13.92%	95,000	101,612	
C B R	3		37,686	-	
Pensionfund	3	15.10%	324,919	76,775	
ABSA Bank	3	15.25%	16,887	7,223	
DBSA	0	13.01%	27,675,417	4,016,667	
Finance Leases	0	12.00%	488,816	232,086	

All other financial liabilities are due and payable in less than 12 months.

## NOTES TO THE FINANCIAL STATEMENTS

	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years
	R	R	R	R	R
	8,695	9,130	19,651	71,887	61,044
	1,515	1,606	3,507	13,343	5,589
	18,535	19,925	44,446	179,313	399,069
	11,522	12,328	27,306	108,034	232,540
	32,944	35,579	79,926	328,796	1,030,336
	13,371	14,474	32,629	135,540	317,079
	118,041	127,337	285,546	1,168,965	2,667,371
	-	-	-	-	-
	3,449	3,677	8,100	31,560	-
	34,914	37,236	82,064	93,342	-
	36,008	38,483	85,086	334,995	-
	32,007	34,592	77,788	-	-
	1,363	1,473	3,312	-	-
	74,944	81,126	182,884	759,696	2,427,383
	25,479	27,291	60,541	240,562	911,806
	39,181	41,967	93,099	369,932	1,081,589
	15,439	16,549	36,757	146,541	319,573
	49,911	53,385	118,176	466,832	1,745,786
	10,517	11,249	24,901	98,366	841,351
	95,000	-	-	-	-
	-	-	-	-	37,686
	13,856	14,902	33,265	134,467	128,428
	2,324	2,501	5,589	6,473	-
	207,633	221,142	486,387	1,887,580	24,872,675
	86,714	91,917	200,710	109,475	-

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
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### 44 FINANCIAL INSTRUMENTS (Continued)

#### 44.11 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has adopted a policy of obtaining collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction/ exposure limits, which are included in the municipality's Investment Policy.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Ongoing credit evaluation is performed customers that default with the payment of consumer accounts and, where appropriate, consumer deposits are adjusted. Consumer debtors are presented net of an allowance for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy

Long-term Receivables and Other Debtors are collectively evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discount, where applicable.

The following table represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:		
Long-term Receivables	13,249,380	17,645,873
Trade Receivables from Exchange transactions	24,022,517	21,008,136
Other Receivables from Non-Exchange transactions	9,157,449	6,873,612
Fixed Term Investment Deposits	75,000,000	92,146,276
Bank and Cash Balances	8,217	3,956,989
Maximum Credit and Interest Risk Exposure	121,437,562	141,630,884

## NOTES TO THE FINANCIAL STATEMENTS

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### **45 EVENTS AFTER THE REPORTING DATE**

None

### **46 RELATED PARTIES**

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

### **47 EXEMPTIONS TAKEN ACCORDING TO THE EXEMPTIONS GAZETTED IN TERMS OF GOVERNMENT NOTICE NO. 30013 OF 29 JUNE 2007 AND SPECIFICALLY PARAGRAPH 3(2)B OF THE NOTICE**

- Financial Instruments: Recognition and Measurement (AC133) Initially measuring financial assets and liabilities at fair value. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]
- Financial Instruments: Disclosure (AC144) Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998.
- Segment Reporting (AC115) Entire Standard
- Operating Segments (AC146) Entire Standard
- Construction Contracts (AC109) Entire Standard
- Business Combinations (AC140) Entire Standard
- Accounting for Government Grants and Disclosure of Government Assistance (AC134) Entire standard excluding paragraphs 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9.

### **48 PROCESS TO COMPLY FULLY WITH THE IMPLEMENTATION OF GENERAL RECOGNISED ACCOUNTING PRACTICES (GRAP).**

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2010. The municipality, however, took advantage of transitional provisions and implement GRAP at an earlier date in order to ensure more reliable financial reporting. The implementation plan for full compliance with the requirements of GRAP is listed in Appendix "G".

## NOTES TO THE FINANCIAL STATEMENTS

	2010 R	2009 R
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### 49 DEVIATIONS IN TERMS OF PARAGRAPH 36 OF THE SUPPLY CHAIN MANAGEMENT REGULATIONS

In terms of paragraph 36 of the Supply Chain Management Regulations the Accounting Officer may –

- (a) Dispense with the official procurement processes established by this Policy and procure any required goods or services through any convenient process, which may include direct negotiations, but only –
  - (i) In the event of an **emergency**, one written quotation is to be obtained;
  - (ii) If the required goods or services are available from a **sole provider** only, one written quotation is to be obtained. Documentary proof must be provided that the service provider is actually a sole provider;
  - (iii) In respect of repairs to motor vehicles, machinery and equipment that need to be **stripped to quote**, only one written quotation is to be obtained;
  - (iv) For the acquisition of **special works of art** or historical objects where specifications are difficult to compile; or
  - (v) Acquisition of **animals** for game reserves.
  - (vi) in any other exceptional case where it is **impractical or impossible** to follow the official procurement processes.
- (b) Ratify any minor breaches of the procurement processes by official or committee acting in terms of delegated powers or duties, which are purely of a technical nature.

The Accounting Officer must record the reasons for any deviations in terms of subparagraph (a) and (b) of this Policy and report them to the next meeting of the Council and include as a note to the annual financial statements.

The following number deviations were approved by the accounting officer:

Emergency	248	219
Sole provider	312	110
Stripped to quote	-	138
Acquisition of special works of art or historical objects	-	-
Acquisition of animals for game reserves.	-	-
Impractical or impossible	171	124
Ratify any minor breaches	-	-
<b>TOTAL DEVIATIONS</b>	<b>731</b>	<b>591</b>

Detailed lists of these deviations have been submitted to Council and is available at the municipal offices for inspection.





## APPENDIX A

### Langeberg Municipality: Schedule of External Loans as at 30 June 2010

EXTERNAL LOANS	Rate	Period	
ANNUITY LOAN			
DBSA	10.0%	1996/2016	
DBSA	12.0%	1995-2015	
DBSA	15.0%	1998-2018	
DBSA	14.0%	1998-2018	
DBSA	16.0%	1999-2019	
DBSA	16.5%	1999-2018	
DBSA	15.8%	1999-2018	
DBSA (Loan Fund)	13.2%	1994-2014	
DBSA (Public Debt Commissioner)	13.3%	1983-2012	
DBSA (Public Debt Commissioner)	13.8%	1984-2014	
DBSA (Loan Fund)	16.2%	1991-2011	
DBSA (Loan Fund)	16.2%	1991-2011	
DBSA	16.5%	2000-2019	
DBSA	14.2%	2000-2020	
DBSA	14.2%	2000-2019	
DBSA	14.4%	1999-2018	
DBSA	13.9%	2001-2020	
DBSA	13.9%	45657	
DBSA	13.9%	40178	
Cogmanskloof Irrigation Board		08/93-07/17	
Pensionfund	15.1%	1982-12/12	
ABSA Bank	15.3%	1983-12/12	
DBSA	13.0%	31/03/2027	
Total annuity loans			
LEASE LIABILITY			
Finance Leases	± 12.0%	2009	
Total Lease Liabilities			
TOTAL EXTERNAL LOANS			

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Annual Financial Statements for year ended 30 June 2010

	Balance at 30/06/09	Received during the period	Redeemed written off during the period	Adjustments	Balance at 30/06/10
	R	R	R	R	R
	159,832		13,369		146,463
	24,031		2,115		21,916
	661,290		38,526		622,764
	391,731		21,730		370,001
	1,507,581		68,693		1,438,888
	513,094		25,178		487,915
	4,367,260		222,388		4,144,873
	46,786		7,130		39,656
	247,555		59,776		187,779
	494,572		74,537		420,035
	144,387		66,598		77,788
	6,147		2,835		3,312
	3,526,034		141,811		3,384,222
	1,265,680		115,062		1,150,619
	1,625,769		154,835		1,470,934
	534,860		46,510		488,350
	2,434,090		211,660		2,222,430
	991,731		63,983		927,748
	95,000		95,000		-
	37,686		-		37,686
	324,920		-		324,920
	16,798		3,953		12,845
	27,675,899		1,537,550		26,138,349
	47,092,733	-	2,973,240	-	44,119,493
	488,816	41,373	225,295		304,894
	488,816	41,373	225,295		304,894
	47,581,548	41,373	3,198,535		44,424,387

## APPENDIX B

### Langeberg Municipality: Analysis of Property Plant and Equipment as at 30 June 2010

	Cost/Revaluation				
	Opening Balance	Additions	Under Construction	Disposals	
<b>Land and Buildings</b>					
Erven	15,077,700	-		2,125,000	
Erven & houses	80,900,200	-		17,415,000	
Housing projects	15,811,057	23,912,785		-	
Wendy Huise	90,614	15,763		-	
	111,879,571	23,928,549	-	19,540,000	
<b>Infrastructure</b>					
Bridges	824,905	298,348		-	
Electricity Meters	2,385,169	265,168		-	
Electricity Network	29,803,968	16,352,634		-	
Gabions in rivers	-	113,561		-	
Kerbing	302,000	-		-	
Landfill sites	10,112,337	709,311		-	
Load control equipment	1,361,368	-		-	
Main Roads	1,795,895	-		-	
Networks	53,369,040	1,060,000		-	
Parking areas	2,493,539	-		-	
Pavements	5,227,332	6,914		-	
Reservoirs \$ dams	12,376,485	565,098		-	
Road signs	109,409	-		-	
Rumble Humps	-	81,836		-	
Sewerage network	18,556,085	1,444,398		-	
Sewerage pumps	177,202	10,035		-	
Sewerage treatment	33,964,583	-		-	
Sewerage treatment works	108,868	60,904		-	
Storm water networks	6,016,112	55,411		-	
Street lights	690,444	148,610		-	
Streets	20,398,606	7,395,985		-	
Sub stations	37,283,744	-		-	
Switchgear	1,109,498	-		-	
Transformer buildings	76,202	-		-	
Water Provision	418,426	6,297,441		-	
Water pumps	311,614	231,920		2,849	
Water treatment	6,675,407	7,923,346		-	
	245,948,242	43,020,920	-	2,849	

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Annual Financial Statements for year ended 30 June 2010

	Closing Balance	Accumulated Depreciation				Carrying Value
		Opening Balance	Additions	Disposals	Closing Balance	
	12,952,700	-	-	-	-	12,952,700
	63,485,200	42,631,788	2,142,076	10,232,719	34,541,145	28,944,055
	39,723,842	618,338	527,035	-	1,145,372	38,578,470
	106,377	10,539	19,985	-	30,525	75,852
	116,268,120	43,260,665	2,689,096	10,232,719	35,717,042	80,551,078
	1,123,253	1,020	41,449	-	42,469	1,080,784
	2,650,337	172,071	111,702	-	283,773	2,366,565
	46,156,602	10,220,373	1,478,457	-	11,698,830	34,457,772
	113,561	-	-	-	-	113,561
	302,000	174,769	14,350	-	189,119	112,881
	10,821,648	2,943,725	493,732	-	3,437,457	7,384,191
	1,361,368	670,136	68,068	-	738,204	623,164
	1,795,895	776,256	105,297	-	881,554	914,342
	54,429,040	16,754,443	2,639,983	-	19,394,426	35,034,614
	2,493,539	349,733	124,677	-	474,410	2,019,129
	5,234,247	1,068,365	258,959	-	1,327,324	3,906,922
	12,941,583	3,072,194	602,743	-	3,674,937	9,266,646
	109,409	22,246	7,678	-	29,924	79,485
	81,836	-	5,412	-	5,412	76,425
	20,000,483	4,644,281	874,127	-	5,518,408	14,482,075
	187,237	51,319	13,705	-	65,024	122,213
	33,964,583	5,584,189	1,698,228	-	7,282,417	26,682,166
	169,772	16,345	5,443	-	21,788	147,983
	6,071,523	1,135,337	301,032	-	1,436,369	4,635,154
	839,055	62,698	31,812	-	94,509	744,545
	27,794,591	6,130,555	1,784,300	-	7,914,855	19,879,736
	37,283,744	10,875,024	1,235,257	-	12,110,281	25,173,463
	1,109,498	195,819	53,785	-	249,604	859,894
	76,202	30,330	2,540	-	32,870	43,332
	6,715,867	1,425	51,269	-	52,693	6,663,174
	540,685	20,737	29,612	624	49,726	490,959
	14,598,753	3,127,435	312,871	-	3,440,306	11,158,448
	288,966,313	68,100,825	12,346,485	624	80,446,687	208,519,627

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	Cost/Revaluation				
	Opening Balance	Additions	Under Construction	Disposals	
<b>Community Assets</b>					
Clinic's Land	68,000	-		-	
Clinics Buildings	5,791,337	-		-	
Crèche's Buildings	2,029,807	-		-	
Crèche's Land	173,088	-		-	
Buildings	691,000	-		-	
Camping sites	832,066	-		-	
Cemeteries	1,145,361	274,907		-	
Commonage	23,627,077	-		-	
Community halls Buildings	6,572,744	2,099,251		-	
Craft Stalls	2,000	-		-	
Craft Stalls Buildings	369,136	-		-	
Festive lights	-	234,427		-	
Fire fighting buildings	761,145	-		-	
Golf courses/squash Buildings	210,000	-		-	
Hiking Trails	1,014,883	-		-	
Libraries Buildings	3,380,676	79,405		-	
Libraries Land	295,000	-		-	
Museums Buildings	1,112,000	-		-	
Museums Land	367,000	-		-	
Parks Buildings	1,665,367	17,590		-	
Parks Land	9,235,000	-		-	
Spatial planning	548,959	-		-	
Sport fields Buildings	7,490,050	235,294		-	
Sport fields Land	3,921,000	-		-	
Swimming pools Buildings	3,197,200	-		-	
Swimming pools equipment	117,539	7,320		-	
Tennis courts	136,418	-		-	
	77,204,851	2,948,194	-	-	
<b>Leased Assets</b>					
Office Equipment (Leased)	785,811	41,373		-	
	785,811	41,373	-	-	

*Chapter 4*  
Annual Financial Statements for year ended 30 June 2010

	Closing Balance	Accumulated Depreciation				Carrying Value
		Opening Balance	Additions	Disposals	Closing Balance	
	68,000	-	-	-	-	68,000
	5,791,337	2,351,025	192,777	-	2,543,802	3,247,535
	2,029,807	669,850	67,660	-	737,510	1,292,298
	173,088	15,469	-	-	15,469	157,618
	691,000	-	-	-	-	691,000
	832,066	396,862	22,303	-	419,165	412,901
	1,420,268	220,284	36,722	-	257,006	1,163,263
	23,627,077	79,141	-79,141	-	-	23,627,077
	8,671,995	2,913,443	200,238	-	3,113,681	5,558,314
	2,000	-	-	-	-	2,000
	369,136	98,318	12,305	-	110,623	258,513
	234,427	-	4,207	-	4,207	230,221
	761,145	61,131	25,371	-	86,502	674,642
	210,000	85,030	10,500	-	95,530	114,470
	1,014,883	189,836	50,744	-	240,580	774,303
	3,460,080	1,465,414	106,878	-	1,572,292	1,887,788
	295,000	-	-	-	-	295,000
	1,112,000	415,744	37,066	-	452,810	659,190
	367,000	-	-	-	-	367,000
	1,682,956	352,033	88,381	-	440,415	1,242,542
	9,235,000	-	-	-	-	9,235,000
	548,959	161,230	18,298	-	179,528	369,431
	7,725,343	3,274,454	359,693	-	3,634,147	4,091,196
	3,921,000	-	-	-	-	3,921,000
	3,197,200	1,713,094	158,601	-	1,871,695	1,325,504
	124,859	17,945	19,661	-	37,605	87,254
	136,418	82,607	6,821	-	89,427	46,990
	80,153,045	14,857,910	1,339,084	-	16,196,994	63,956,050
	827,184	343,708	207,431	-	551,139	276,044
	827,184	343,708	207,431	-	551,139	276,044

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Annual Financial Statements for year ended 30 June 2010

	Cost/Revaluation				
	Opening Balance	Additions	Under Construction	Disposals	
<b>Other Assets</b>					
Air conditioners	206,236	85,417		-	
Alarms / security systems	26,663	6,203		-	
Angle grinder	10,167	6,599		2,408	
Beds / bedding	17,043	-		-	
Buildings	136,769	-		-	
Cabinets	473,790	112,994		-	
Cell phone	170,527	-		88,848	
Chairs	448,880	52,811		3,611	
Co-Driver Units	18,649	-		-	
Compactors	1,924,029	22,644		63,516	
Compressors	193,378	-		-	
Computer Equipment	2,829,699	907,425		185,810	
Computer Software	-	21,548		-	
Concrete mixers	78,306	-		1,000	
Containers	-	109,445		-	
Curtains	113,013	6,880		-	
Digital Cameras	21,219	7,830		-	
Drills	48,967	9,836		1,000	
Electric equipment	518,912	85,193		3,623	
Electricity Engineering equipment	506,658	17,180		5,106	
Emergency Equipment	324,055	-		-	
Engineering equipment	488,477	3,158		2,000	
Farm implements	204,990	-		-	
Farms	9,329,000	-		2,421,000	
Fire Arms	3,000	-		-	
Fire fighting vehicles	5,073,618	-		-	
Forklift	-	196,105		-	
General	115,914	23,125		4,948	
General equipment	100,652	25,174		2,000	
General tools	79,759	9,551		-	
Generators	462,012	7,200		-	
Informal Housing	941,811	-		-	
Irrigation equipment	18,824	-		-	
Kitchen Equipment	16,527	18,237		-	
Ladders	123,386	6,419		-	
LAN / WAN Equipment	325,892	15,440		9,981	
<b>Subtotal carried forward</b>	<b>25,350,823</b>	<b>1,756,413</b>	<b>-</b>	<b>2,794,851</b>	

*Chapter 4*  
Annual Financial Statements for year ended 30 June 2010

	Closing Balance	Accumulated Depreciation				Carrying Value
		Opening Balance	Additions	Disposals	Closing Balance	
	291,653	66,697	47,819	-	114,516	177,138
	32,866	21,228	3,090	-	24,319	8,548
	14,358	8,670	1,332	2,408	7,594	6,765
	17,043	8,916	3,405	-	12,321	4,723
	136,769	13,993	4,559	-	18,552	118,217
	586,785	313,441	71,000	-	384,442	202,343
	81,680	130,308	18,217	80,503	68,022	13,658
	498,080	222,792	76,676	2,978	296,490	201,591
	18,649	2,647	3,729	-	6,376	12,273
	1,883,157	658,961	190,594	53,534	796,021	1,087,135
	193,378	165,035	9,064	-	174,099	19,279
	3,551,314	1,747,030	464,189	175,491	2,035,728	1,515,585
	21,548	-	2,127	-	2,127	19,421
	77,306	41,196	9,130	917	49,410	27,897
	109,445	-	2,459	-	2,459	106,986
	119,893	12,659	11,948	-	24,608	95,286
	29,049	15,417	3,095	-	18,511	10,537
	57,804	22,251	7,124	1,000	28,375	29,428
	600,481	124,625	103,221	2,862	224,983	375,498
	518,732	219,484	82,112	5,106	296,490	222,242
	324,055	122,617	64,788	-	187,405	136,651
	489,634	245,242	62,524	1,691	306,075	183,559
	204,990	204,990	-	-	204,990	-
	6,908,000	107,423	301,146	178,303	230,266	6,677,734
	3,000	3,000	-	-	3,000	-
	5,073,618	1,033,286	424,458	-	1,457,744	3,615,875
	196,105	-	1,580	-	1,580	194,526
	134,091	35,945	21,697	4,948	52,694	81,397
	123,825	63,207	16,503	2,000	77,710	46,115
	89,310	77,458	1,066	-	78,524	10,786
	469,212	112,256	63,198	-	175,453	293,759
	941,811	93,693	47,090	-	140,784	801,027
	18,824	18,824	-	-	18,824	-
	34,763	1,042	4,216	-	5,259	29,505
	129,804	113,464	4,293	-	117,757	12,047
	331,351	199,563	39,426	9,303	229,686	101,665
	24,312,385	6,227,361	2,166,875	521,044	7,873,192	16,439,193



*Chapter 4*  
Annual Financial Statements for year ended 30 June 2010

	Cost/Revaluation				
	Opening Balance	Additions	Under Construction	Disposals	
<b>Other Assets Continued</b>					
Subtotal brought forward	25,350,823	1,756,413	-	2,794,851	
Land	24,596,014	804,812		-	
Lawn Mowers	448,767	42,239		12,832	
Light delivery vehicles	4,787,489	153,348		246,621	
Loaders	3,342,905	-		-	
Lorries	7,909,475	1,467,425		258,907	
Master Planning	1,020,974	-		-	
Master Planning: Housing	-	316,410		-	
Notice Boards	32,178	3,828		-	
Office dividers	4,583	-		-	
Office machine	119,127	53,378		3,573	
Paintings	2,085	-		-	
Passenger vehicles	256,070	-		-	
Printers	523,273	12,363		30,388	
Public Toilets	861,000	-		-	
Radio Communication	456,877	-		-	
Refuse removal equipment	466,309	-		-	
Rollers	41,167	-		-	
Saws	34,253	15,826		-	
Sewerage Equipment	24,237	26,223		-	
Shelves	9,421	2,156		-	
Stores Buildings	2,528,907	3,348		-	
Stores Land	1,020,000	-		-	
Tables / Desks	446,265	130,762		-	
Tank on Vehicles	128,603	-		-	
Tractors	1,700,418	200,000		20,000	
Traffic buildings	1,983,101	211,013		-	
Traffic equipment	429,474	-		500	
Trailers	731,280	158,820		5,400	
Two way radio's	341,703	3,920		14,097	
UPS	292,902	-		5,011	
Vehicles	1,202,640	-		-	
Welding equipment	5,548	-		-	
White Boards	3,113	-		-	
Workshop	2,721	-		-	
Workshop Equipment	29,797	98,784		1,000	
	81,133,496	5,461,067	-	3,393,180	
Work in Progress		390,760			
<b>Total</b>	<b>516,951,971</b>	<b>75,790,863</b>	<b>-</b>	<b>22,936,029</b>	

*Chapter 4*  
Annual Financial Statements for year ended 30 June 2010

	Closing Balance	Accumulated Depreciation				Carrying Value
		Opening Balance	Additions	Disposals	Closing Balance	
	24,312,385	6,227,361	2,166,875	521,044	7,873,192	16,439,193
	25,400,826	12,131,563	694,626	-	12,826,189	12,574,636
	478,173	260,221	65,219	10,232	315,208	162,965
	4,694,216	3,180,078	494,417	244,377	3,430,118	1,264,097
	3,342,905	955,751	220,860	-	1,176,611	2,166,294
	9,117,994	4,080,614	778,923	151,658	4,707,879	4,410,115
	1,020,974	107,014	51,048	-	158,062	862,912
	316,410	-	-	-	-	316,410
	36,005	8,978	4,169	-	13,147	22,859
	4,583	1,283	916	-	2,199	2,384
	168,931	82,690	18,894	3,573	98,011	70,920
	2,085	711	416	-	1,126	959
	256,070	77,988	45,614	-	123,602	132,468
	505,248	396,865	43,429	29,789	410,504	94,744
	861,000	260,726	23,233	-	283,959	577,041
	456,877	191,597	91,368	-	282,964	173,912
	466,309	61,851	46,628	-	108,479	357,830
	41,167	32,359	2,987	-	35,346	5,821
	50,080	19,641	6,086	-	25,727	24,353
	50,460	3,587	3,743	-	7,331	43,129
	11,577	6,736	1,734	-	8,470	3,107
	2,532,255	791,386	84,342	-	875,728	1,656,527
	1,020,000	-	-	-	-	1,020,000
	577,027	236,583	79,233	-	315,815	261,212
	128,603	52,252	12,860	-	65,112	63,491
	1,880,418	919,772	151,797	14,144	1,057,424	822,993
	2,194,114	1,303,000	22,903	-	1,325,903	868,210
	428,974	358,223	41,536	449	399,311	29,663
	884,700	304,712	49,724	2,982	351,454	533,246
	331,525	161,213	56,524	12,989	204,747	126,778
	287,891	255,573	23,227	4,417	274,383	13,509
	1,202,640	885,477	113,298	-	998,774	203,866
	5,548	5,548	-	-	5,548	-
	3,113	1,854	392	-	2,245	868
	2,721	908	91	-	998	1,723
	127,581	22,957	4,481	917	26,521	101,059
	83,201,384	33,387,071	5,401,592	996,573	37,792,090	45,409,294
	390,760				-	390,760
	569,806,806	159,950,180	21,983,688	11,229,916	170,703,952	399,102,853

## APPENDIX C

### *Langeberg Municipality: Segmental Analysis of Property, Plant and Equipment as at 30 June 2010*

	Cost				
	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	
Executive & Council	1,756,616	139,903	45,579	1,850,940	
Corporate Services	100,010,456	1,075,642	2,850,778	98,235,321	
Finance	3,346,114	976,082	166,388	4,155,808	
Planning & Development	7,793,921	349,793	117,509	8,026,205	
Community & Social Services	10,946,872	3,010,474	6,071	13,951,276	
Housing	104,214,962	27,498,011	19,148,440	112,564,533	
Public Safety	10,511,479	244,926	31,606	10,724,799	
Sport & Recreation	16,622,467	447,359	338,295	16,731,531	
Waste Management	17,231,712	2,588,169	1,200	19,818,681	
Waste Water Management	54,144,516	1,545,019	72,756	55,616,779	
Road Transport	40,406,049	5,134,857	46,516	45,494,390	
Water	73,609,632	16,050,275	58,611	89,601,297	
Electricity	76,207,739	16,620,200	52,279	92,775,661	
Other	149,436	110,151	-	259,587	
<b>TOTAL</b>	<b>516,951,971</b>	<b>75,790,863</b>	<b>22,936,029</b>	<b>569,806,806</b>	

*Chapter 4*  
Annual Financial Statements for year ended 30 June 2010

	Accumulated Depreciation				
	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	R	R	R	R	R
	1,003,300	175,498	37,272	1,141,527	709,414
	22,497,541	1,796,121	308,382	23,985,281	74,250,040
	2,065,159	523,073	161,279	2,426,954	1,728,854
	2,708,713	783,832	107,443	3,385,101	4,641,104
	4,039,397	466,654	6,071	4,499,981	9,451,295
	41,955,894	2,655,402	10,139,693	34,471,603	78,092,930
	2,971,910	887,856	27,125	3,832,641	6,892,157
	7,046,703	960,537	222,546	7,784,694	8,946,837
	6,128,038	1,217,706	1,200	7,344,544	12,474,137
	11,096,802	2,655,871	72,756	13,679,916	41,936,862
	10,556,784	2,797,976	37,940	13,316,821	32,177,570
	23,346,938	3,683,276	56,385	26,973,829	62,627,468
	24,466,304	3,368,954	51,825	27,783,433	64,992,227
	66,695	10,933	-	77,628	181,959
	159,950,180	21,983,688	11,229,916	170,703,952	399,102,853

## APPENDIX D

### *Langeberg Municipality: Segmental Statement of Financial Performance for the Year Ended 30 June 2010*

2009 Actual Income	2009 Actual Expenditure	2009 Surplus / (Deficit)		
R	R	R		
17,788,896	31,120,590	(13,331,694)	Executive & Council	
481,559	8,633,285	(8,151,726)	Corporate Services	
37,721,502	20,225,644	17,495,858	Finance	
			Local Economic Development	
1,572,081	9,799,115	(8,227,034)	Planning & Development	
1,994,690	9,708,949	(7,714,259)	Community & Social Services	
12,900,270	10,429,616	2,470,654	Housing	
6,047,294	9,357,505	(3,310,210)	Public Safety	
255,980	11,419,715	(11,163,736)	Sport & Recreation	
16,686,147	12,798,545	3,887,603	Environmental Protection	
17,617,955	16,381,091	1,236,863	Waste Management	
93,804	12,315,130	(12,221,326)	Road Transport	
27,838,978	21,174,596	6,664,381	Water	
126,441,016	96,339,917	30,101,099	Electricity	
178,580	498,186	(319,606)	Other	
267,618,752	270,201,883	(2,583,132)	Sub Total	
-	(11,094,752)	11,094,752	Less Inter-Dep Charges	
267,618,752	259,107,132	8,511,620	Total	
		-	Add: Share of Associate	
		8,511,620		

*Chapter 4*  
Annual Financial Statements for year ended 30 June 2010

		2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)
		R	R	R
	Executive & Council	1,969,290	25,554,790	(23,585,500)
	Corporate Services	283,815	11,474,879	(11,191,064)
	Finance	62,123,462	34,553,057	27,570,405
	Local Economic Development	588	539,107	(538,519)
	Planning & Development	655,494	9,881,642	(9,226,148)
	Community & Social Services	1,382,178	8,853,993	(7,471,815)
	Housing	24,660,098	15,315,802	9,344,296
	Public Safety	4,479,031	11,088,158	(6,609,127)
	Sport & Recreation	474,318	12,656,663	(12,182,344)
	Environmental Protection	18,182,623	16,689,131	1,493,492
	Waste Management	14,751,280	13,734,280	1,017,001
	Road Transport	1,832,205	13,774,212	(11,942,007)
	Water	45,203,526	24,126,074	21,077,452
	Electricity	158,241,435	123,179,242	35,062,193
	Other	231,094	670,423	(439,329)
	Sub Total	334,470,437	322,091,451	12,378,986
	Less Inter-Dep Charges	-	(15,082,026)	15,082,026
	Total	334,470,437	307,009,425	27,461,012
	Add: Share of Associate			-
				27,461,012

## APPENDIX E(1)

### Langeberg Municipality: Actual Versus Budget for the Year Ended 30 June 2010

	2010 Actual (R)	2010 Budget (R)	
<b>REVENUE</b>			
Property rates	29,309,675	29,603,432	
Property rates - rebate	(6,839,329)	(7,938,275)	
Property rates - penalties imposed	217,756	200,000	
Service charges	208,816,112	195,757,550	
Rental of facilities and equipment	1,369,844	1,400,603	
Interest earned - external investments	7,338,969	9,300,000	
Interest earned - outstanding debtors	1,078,880	1,500,000	
Dividends received	-	-	
Fines	2,101,095	3,158,300	
Licences and permits	788,522	790,041	
Income for agency services	1,472,329	991,000	
Government grants and subsidies	80,029,472	84,635,261	
Other income	8,787,112	9,805,812	
Change in Fair Value	-	-	
Gains on disposal of property, plant and equipment	-	2,000,000	
<b>Total Revenue</b>	<b>334,470,437</b>	<b>331,203,724</b>	
<b>EXPENDITURE</b>			
Executive & Council	25,554,790	29,221,666	
Corporate Services	11,474,879	11,093,405	
Finance	34,553,057	36,507,854	
LED	539,107	890,873	
Planning & Development	9,881,642	10,572,728	
Community & Social Services	8,853,993	9,491,258	
Housing	15,315,802	7,917,329	
Public Safety	11,088,158	11,894,550	
Sport & Recreation	12,656,663	12,973,570	
Waste Water Management	16,689,131	17,137,196	
Waste Management	13,734,280	13,877,561	
Road Transport	13,774,212	14,302,130	
Water	24,126,074	24,043,020	
Electricity	123,179,242	120,898,028	
Other	670,423	566,774	
Less : Interdepartmental Charges	(15,082,026)	(15,241,128)	
<b>Total Expenditure</b>	<b>307,009,425</b>	<b>306,146,814</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>27,461,012</b>	<b>25,056,910</b>	

*Chapter 4*  
Annual Financial Statements for year ended 30 June 2010

	2010 Variance (R)	2010 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
	(293,757)	-0.99%	
	1,098,946	-13.84%	Less applications than expected.
	17,756	8.88%	
	13,058,562	6.67%	
	(30,759)	-2.20%	
	(1,961,031)	-21.09%	Decline in interest rate.
	(421,120)	-28.07%	Decline in interest rate.
	-	0.00%	
	(1,057,205)	-33.47%	
	(1,519)	-0.19%	
	481,329	48.57%	Increase in transactions.
	(4,605,789)	-5.44%	
	(1,018,700)	-10.39%	Less electricity connectios than expected, Houses not transferred, substantial less development levy received.
	-	0.00%	
	(2,000,000)	-100.00%	Net loss on disposals.
	3,266,713	0.99%	
	(3,666,876)	-12.55%	
	381,474	3.44%	Loss on the transfer of the Gelukshoop farm. (Small farmers project)
	(1,954,797)	-5.35%	
	(351,766)	-39.49%	
	(691,086)	-6.54%	
	(637,265)	-6.71%	
	7,398,473	93.45%	Loss on houses transferred to beneficiaries.
	(806,392)	-6.78%	
	(316,907)	-2.44%	
	(448,065)	-2.61%	
	(143,281)	-1.03%	
	(527,918)	-3.69%	
	83,054	0.35%	Unexpected growth in demand
	2,281,214	1.89%	Unexpected growth in demand.
	103,649	18.29%	The appointment of additional personel.
	159,102	-1.04%	
	862,611	0.28%	
	2,404,102	9.59%	



## APPENDIX E(2)

### *Langeberg Municipality: Actual Versus Budget for the Year Ended 30 June 2010 Acquisition of Property, Plant and Equipment*

	2010 Actual R	2010 Budget R	2010 Variance R	
Executive & Council	687,642	653,290	34,352	
Corporate Services	3,386,512	3,400,000	(13,488)	
Finance	1,186,642	1,200,000	(13,358)	
Local Economic Development	-	800,000	(800,000)	
Planning & Development	-	-	-	
Community & Social Services	886,932	4,421,000	(3,534,068)	
Housing	29,935,020	27,723,340	2,211,680	
Public Safety	211,013	215,000	(3,987)	
Sport & Recreation	153,407	1,300,000	(1,146,593)	
Waste Management	2,746,989	3,715,550	(968,561)	
Waste Water Management	154,939	155,000	(61)	
Road Transport	5,281,821	7,700,000	(2,418,179)	
Water	16,080,040	16,647,000	(566,960)	
Electricity	15,361,986	16,625,100	(1,263,114)	
Leased Assets	41,373	-	41,373	
<b>Total</b>	<b>76,114,315</b>	<b>84,555,280</b>	<b>(8,440,965)</b>	



# Chapter 4

## Annual Financial Statements for year ended 30 June 2010

	2010 Variance %	Explanation of Significant Variances greater than 10% versus Budget
	5.26%	The grant funding for the Thusong Centre was received too late to be spent in the 2008/2009 financial year. The funds were rolled over to the 2009/2010 budget.
	-0.40%	
	-1.11%	The Disaster Recovery project continued into the 2009/2010 financial year. The unspent funds were rolled over to the 2009/2010 financial year.
	-100.00%	
	0.00%	
	-79.94%	Thusong centre not built
	7.98%	More houses built than budgeted
	-1.85%	The extension to the Traffic Offices in Robertson continued into 2009/2010 financial year.
	-88.20%	Cogmanskloof pavilion not built
	-26.07%	The construction of the Recycling Plant continued into 2009/2010 financial year.
	-0.04%	
	-31.40%	Flood damage repairs rolled over to 2010/2011 budget
	-3.41%	
	-7.60%	The upgrading of the Robertson Main Electricity Substation is a two year project, the remaining funds were rolled over to the 2010/2011 budget.
	0.00%	
	-9.98%	



## APPENDIX F

### *Langeberg Municipality: Disclosures of Grants and Subsidies in Terms of Section 123 of MFMA, 56 of 2003, for the Year Ended 30 June 2010*

Grant Description	Balance at 30 Jun 09	Contributions during year	
	R	R	
Re-election of Ward Committees	150,000		
Beatification Main Road Ashton		290,405	
Municipal Systems Improvement Grant	561,975	735,000	
Library		813,931	
Main Roads		-	
CWDM I/D Documents Campaign-R2	81,677	48,417	
Route 62 Projects CWDM	37,377	37,377	
PIMS:Performance Management	76,935		
PIMS:Project Management Training	17,560		
Development McGregor Bridge (Silver Strand)	235,526		
Neighbourhood Development Grant	800,000		
DPLG - Masterplan - Civil Services	54,386		
Safety Report McGregor Dam	25,000		
Bakery Project	287,656		
Werkskepping Projekte	128,050		
Thusong Centre	1,500,000	1,500,000	
Robertson Masakhane project	353,117		
Scaife Homes Sanitation	167,671		
National Treasury - Finance Management Grant	433,471	750,000	
28 Semi-Detached Houses	17,903		
Housing Consumer Education CWD	42,250	240,755	
MIIU-EIA - Landfill Site	332,400		
Pre-paid Watermeters	108,527		
Masibambane Programme	45,000		
Flood Damage	-	6,481,000	
Equitable Share	-	33,363,266	
Training - SETA	433,446	363,834	
Unspent conditional grants and receipts - End of year	5,089,927	45,505,191	
MIG Projects	1,395,566	15,379,000	
Housing	-		
Investigation Grant	110,000	110,000	
INEP Grant - Electrification	-		
Tarring of Streets – CWDM		700,000	
Cleanest Town Award		211,433	
Community Development Workers		48,000	
Conditional grants receivable - End of year	1,505,566	30,593,981	
	6,595,493	76,099,172	

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Annual Financial Statements for year ended 30 June 2010

	Operating expenditure during year Transferred to Revenue	Capital expenditure during year Transferred to Revenue	Transfers	Balance at 30 June 2010
	R	R	R	R
				150,000
	290,405		-	
	463,477	439,027		394,471
		813,931		-
	72,000	72,000	-	
	33,260			
			76,935	
			17,560	
			235,526	
		800,000		
			54,386	
			25,000	
	65,836			221,821
				128,050
		3,000,000		
				353,117
				167,671
	682,566	398,925		101,980
				17,903
				283,005
				332,400
				108,527
	95,000			140,000
	963,934	2,250,296		3,266,770
	33,363,266			-
	378,174			419,106
	37,142,004	3,088,248	-	10,364,866
		14,776,257		792,823
	14,404,981		24,039,425	9,634,444
				-
		24,105		24,105
		700,000		-
		211,433		
			48,000	
	48,000	39,751,220	-	10,710,805
	37,190,004	42,839,468	-	(345,939)

## APPENDIX G

### Format of Implementation Plan for Medium and Low Capacity Municipalities

Name of municipality:	Langeberg Municipality	Demarcation Code:	WC 026
Name of preparer:	Mr. CF Hoffman (Chief Financial Officer)	Date completed:	30 March 2010
Contact Details:	023 615 8032	Financial period:	09/10
Capacity category:	Medium Capacity		

Financial reporting standard	Milestones to be achieved to comply with the standard <i>[include the key challenges that have to be overcome]</i>	Person responsible	Estimate date of compliance
Presentation of financial statements (GRAP 1)	<ul style="list-style-type: none"> <li>Preparation of GRAP compliant financial statements.</li> <li>Challenges as listed below.</li> </ul>	CFO	Completed
Cash flow statements (GRAP 2)	<ul style="list-style-type: none"> <li>Obtain a thorough understanding of the format of the cash flow statement.</li> <li>No challenges to overcome.</li> </ul>	CFO	Completed
Accounting policies, changes in accounting estimates and errors (GRAP 3)	<ul style="list-style-type: none"> <li>A draft accounting policy has been prepared</li> <li>The municipality has appointed external specialists to assist with the implementation of GRAP and to capacitate the preparers of the financial statements with the disclosure requirements of GRAP 3.</li> <li>The municipality will have to investigate what the potential impact of Standards approved but not yet effective may be on the annual financial statements.</li> </ul>	CFO	Completed  Par 14, 19 and 30-31 will be implemented on 1 July 2009
The Effects of Changes in Foreign Exchange Rates (GRAP 4)	<ul style="list-style-type: none"> <li>The municipality is not involved in any foreign currency transactions.</li> </ul>	CFO	Completed
Consolidated and Separate Financial Statements (GRAP 6)	<ul style="list-style-type: none"> <li>The municipality has established through a review that it does not have any entities in which it has a controlling interest.</li> </ul>	CFO	Completed
Investments in Associates (GRAP 7)	<ul style="list-style-type: none"> <li>The municipality has established through a review that it does not have any entities over which it has significant influence.</li> </ul>	CFO	Completed
Interests in Joint Ventures (GRAP 8)	<ul style="list-style-type: none"> <li>The municipality must still complete the review to establish if it is involved in any public private partnerships which may constitute a joint venture.</li> </ul>	CFO	Completed
Revenue from Exchange Transactions (GRAP 9)	<ul style="list-style-type: none"> <li>The municipality will review all revenue sources in order to establish compliance with this Standard.</li> <li>External specialists have been appointed to assist with the review.</li> <li>The potential impact of paragraph 12 and SAICA Circular 09/06 will have to be assessed.</li> </ul>	CFO	Completed

# Chapter 4

## Annual Financial Statements for year ended 30 June 2010

Financial reporting standard	Milestones to be achieved to comply with the standard <i>[include the key challenges that have to be overcome]</i>	Person responsible	Estimate date of compliance
Construction Contracts (GRAP 11)	<ul style="list-style-type: none"> <li>The municipality will review the Standard in order to understand what constitutes a construction contract as defined by the Standard.</li> </ul>	CFO	Completed
Inventories (GRAP 12)	<ul style="list-style-type: none"> <li>The municipality will review the Standard in order to understand its requirements.</li> <li>The municipality's costing systems will be reviewed in order to establish if its current reporting capability is sufficient to comply with the requirements of the Standard.</li> <li>Any adjustments required to the costing system will made.</li> </ul>	CFO	Completed
Leases (GRAP 13)	<ul style="list-style-type: none"> <li>The municipality is currently in the process of reviewing all its operating lease agreements in order to establish if some of these should be classified as finance leases.</li> <li>The municipality must ensure that all assets financed through finance leases are included in the fixed asset register.</li> <li>The municipality must review all its lease agreements in order to establish if any of these payments should be "smoothed" as per the Standard.</li> </ul>	CFO	Completed  Completed  Completed
Events after the Reporting Date (GRAP 14)	<ul style="list-style-type: none"> <li>The preparers of the financial statements will have discussions with senior officials and its lawyers in order to determine if any events after reporting date has occurred.</li> </ul>	CFO	Completed
Investment Property (GRAP 16)	<ul style="list-style-type: none"> <li>The municipality will review the Standard in order to fully understand what constitutes an investment property.</li> <li>All investment property must be identified.</li> <li>All investment property must be transferred from PPE to investment property.</li> <li>A new accounting policy regarding investment property should be prepared and adopted.</li> <li>The fixed asset register must be amended in order to process investment property transactions.</li> <li>The full impact of the change in accounting policy must be disclosed in the financial statements.</li> </ul>	CFO	AFS 30 June 2011

Financial reporting standard	Milestones to be achieved to comply with the standard <i>[include the key challenges that have to be overcome]</i>	Person responsible	Estimate date of compliance
Property, Plant and Equipment (GRAP 17)	<ul style="list-style-type: none"> <li>The municipality has performed a physical verification of its PPE and prepared a fixed asset register.</li> <li>The fixed asset register should be reviewed in order to ensure that the funding sources are correct.</li> <li>An accounting policy regarding the PPE should be prepared and approved.</li> <li>Infrastructure assets should be identified and valued by engineers.</li> <li>All land and buildings should be revalued once the new valuation roll is finalized.</li> <li>Review of useful life of item of PPE recognised in the annual financial statements.</li> <li>Review of the depreciation method applied to PPE recognised in the annual financial statements.</li> <li>Impairment of non-cash generating assets. The municipality requires capacity building in order to understand how impairment tests are performed.</li> <li>Impairment of cash generating assets. The municipality requires capacity building in order to understand how impairment tests are performed.</li> </ul>	CFO	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>AFS 30 June 2011</p> <p>AFS 30 June 2011</p> <p>AFS 30 June 2011</p> <p>AFS 30 June 2011</p> <p>AFS 30 June 2011</p> <p>AFS 30 June 2011</p>
Provisions, Contingent Liabilities and Contingent Assets (GRAP 19)	<ul style="list-style-type: none"> <li>The municipality has appointed external specialists to assist with the identification of potential provisions, liabilities and contingent assets.</li> </ul>	CFO	Completed
Non-current Assets held for Sale and Discontinued Operations (GRAP 100)	<ul style="list-style-type: none"> <li>The municipality requires capacity building on this Standard in order to fully understand its requirements.</li> </ul>	CFO	AFS 30 June 2011
Agriculture (GRAP 101)	<ul style="list-style-type: none"> <li>The municipality has appointed external specialists to assist with the identification of potential biological assets.</li> <li>The biological assets need to be verified and valued.</li> <li>The municipality's costing system needs to be amended in order comply with the requirements of the Standard.</li> <li>An accounting policy needs to be drafted for the treatment of agricultural assets.</li> </ul>	CFO	Completed
Intangible assets (GRAP 102)	<ul style="list-style-type: none"> <li>The municipality has appointed external specialists to assist with the identification of potential intangible assets.</li> <li>The asset register needs to be adjusted in order capture all intangible assets.</li> <li>An accounting policy needs to be drafted for the treatment of intangible assets.</li> </ul>	CFO	AFS 30 June 2011

# Chapter 4

## Annual Financial Statements for year ended 30 June 2010

Financial reporting standard	Milestones to be achieved to comply with the standard <i>[include the key challenges that have to be overcome]</i>	Person responsible	Estimate date of compliance
Financial Instruments: Disclosures (IFRS 7/AC 144)	<ul style="list-style-type: none"> <li>The municipality needs training and clarification on the impact and requirements of this Standard.</li> </ul>	CFO	Completed
Income Taxes (IAS 12/AC 102)	<ul style="list-style-type: none"> <li>Not applicable to this municipality.</li> </ul>		
Employee benefits (IAS 19/AC 116)	<ul style="list-style-type: none"> <li>The municipality is in the process of preparing the request for quotation for the appointment of actuaries to value all employee benefits.</li> <li>Once the value of the potential liability is calculated, the municipality must determine a phasing-in policy for the provision of the total liability.</li> </ul>	CFO	Completed
Accounting for Government Grants and Disclosure of Government Assistance (IAS 20/AC 134)	<ul style="list-style-type: none"> <li>The municipality needs training and clarification on the impact and requirements of this Standard.</li> </ul>	CFO	Completed
Financial Instruments: Presentation (IAS 32/AC 125)	<ul style="list-style-type: none"> <li>The municipality needs training and clarification on the impact and requirements of this Standard.</li> </ul>	CFO	Completed
Impairment of Cash-generating Assets (IAS 36/AC 128)	<ul style="list-style-type: none"> <li>The municipality needs training and clarification on the impact and requirements of this Standard.</li> </ul>	CFO	AFS 30 June 2011
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	<ul style="list-style-type: none"> <li>The municipality needs training and clarification on the impact and requirements of this Standard.</li> </ul>	CFO	AFS 30 June 2011
Impairment of non-cash-generating Assets (IPSAS 21)	<ul style="list-style-type: none"> <li>The municipality needs training and clarification on the impact and requirements of this Standard.</li> </ul>	CFO	AFS 30 June 2011