PAWK: ROADS
BALANCE SHEET AS AT 30 JUNE 2008

CAPITAL EMPLOYED	**Note**	**2007/2008 R**	**2006/2007 R**
FUNDS AND RESERVES		-	-
Statutory funds		-	-
Reserves	1	-	-
ACCUMULAT DEFICIT	2	(538 338)	(674 476)
		(538 338)	(674 476)
TRUST FUNDS	3	-	-
		(538 338)	**(674 476)**
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	-	-
		-	-
NET CURRENT LIABILITIES		(538 338)	(674 476)
CURRENT ASSETS		3 815 357	187 086
Debtors	6	3 807 706	120 076
Long-term Debtors	5	4 550	67 010
Cash		3 101	-
CURRENT LIABILITIES		(4 353 695)	(861 562)
Provisions	7	1 876 005	1 918 902
Bank overdraft		253 121	(5 103 853)
Creditors	8	1 855 360	4 044 553
Loan account - Eden District Municipality		369 209	
Vat	9	-	1 959
		(538 338)	**(674 476)**

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

2006/2007 Actual Income	2006/2007 Actual Expenditure	2006/2007 Actual Surplus/ (Deficit)		2007/2008 Actual Income	2007/2008 Actual Expenditure	2007/2008 Actual Surplus/ (Deficit)	2007/2008 Budget Surplus/ (Deficit)
			RATES AND GENERAL SERVICES				
115 880 265	108 305 084	7 575 181		93 373 960	97 740 318	(4 366 358)	21 728 682
115 880 265	108 305 084	7 575 181		93 373 960	97 740 318	(4 366 358)	21 728 682
115 880 265	**108 305 084**	**7 575 181**	**TOTAL**	**93 373 960**	**97 740 318**	**(4 366 358)**	**21 728 682**
		(5 949 823)	Appropriations for the year (refer to note 2)			4 502 496	
		1 625 358	**Nett surplus for the year**			**136 138**	
		(2 299 834)	Accumulated surplus/(deficit) : beginning of the year			(674 476)	
		(674 476)	**ACCUMULATED DEFICIT: END OF THE YEAR**			**(538 338)**	

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
CASH GENERATED FROM OPERATING ACTIVITIES		**(5 353 872)**	**10 383 370**
Cash generated by operations	11	(584 940)	170 396
Investment income		721 078	1 454 962
Decrease/(Increase) in working capital	12	(5 490 009)	8 758 012
		(5 353 872)	10 383 370
Less: External interest paid		-	-
Cash available from operations		(5 353 872)	10 383 370
Cash contributions from the public and the state		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets		-	-
NET CASH FLOW		**(5 353 872)**	**10 383 370**
CASH EFFECTS OF FINANCING ACTIVITIES			
(Increase)/decrease in cash investments	14	-	-
(Increase)/decrease in cash at bank	13	5 353 872	(10 383 370)
NET CASH (GENERATED)/UTILISED		**5 353 872**	**(10 383 370)**

1 BASIS OF PRESENTATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost conventions except where otherwise stated.

They have also been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no 28095 of 15 December 2005; and
- General Notice 992 of 2005, issued in Government Gazette no 28095 of 7 December 2005;

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP 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 the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The municipality has elected to early adopt the following requirement(s) although these are exempted in terms of General notice 522 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 522 of 2007, that have been early adopted
GAMAP 12	Inventories	▪ The entire standard to the extent that it relates to water stock that was not purchased by the municipality
IAS 38 (AC 129)	Intangible asserts	▪ The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32/AC 432) and all other costs are expensed.
IAS 19 (AC 116)	Employee benefits	▪ Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance	▪ Entire standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9
IAS 17 (AC105)	Leases	▪ Recognising operating lease payments\receipts on a straight line basis if the amounts are recognised on the basis of cash flows in the lease agreement (IAS 17.33-34 and 50 – 51, SAICA Circular 12/06.8-11)

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 3 (Accounting Policies, Changes of Accounting Estimates and Errors):

- *Identification and impact of GRAP standards that have been issued but are not yet effective and changes to accounting policies. [Paragraphs 14, 19 and 30-31]*

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 142 (Non-current Assets held for Sale and Discontinued Operations):

- *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]*

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 109 (Construction Contracts) in its entirety.

Comparative figures have been restated as far as is practical to take cognisance of changes in Accounting Standards.

The effect of the change in accounting policy arising from the implementation of GAMAP, GRAP and GAAP is set out in note 31.

A summary of the principal accounting policies are disclosed below.

2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand rounded to the nearest rand.

3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4 SEGMENTAL REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 115 (Segment Reporting) and AC 146 (Operating Segments).

5 SET-OFF

Assets, liabilities, revenues and expenses have not been offset except where set-off is required or permitted by a Standard of GAMAP, GRAP or GAAP.

6 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguised on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes both complete and in progress as at 1 April 1998 were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

7 RESERVES

Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. A corresponding amount of the call investment deposits has been ring-fenced and can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilized.

- Interest earned on the CRR investment is recorded as part of total interest earned in the Statement of Financial Performance. The total interest earned on all the CRR investments of the municipality is transferred to the CRR.

Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at that time and which 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 Circular 18 issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring transfers from this reserve equals the depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment.

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 which has been financed from former provincial funds is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

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 amount of the Government Grant recorded as revenue in the Statement of Financial Performance as required by Circular 18 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 Reserve is to promote consumer equity by ensuring transfers from this reserve equals the depreciation expenses that will be incurred over the useful lives of these assets.

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

Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and/or donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the amount of the donations and/or public contributions recorded as revenue in the Statement of Financial Performance as required by Circular 18 issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this Reserve is to promote consumer equity by ensuring transfers from this reserve equals the depreciation expenses that will be incurred over the useful lives of these assets.

When an item of property, plant and equipment which has been financed from donations and/or public contributions is disposed of, the balance in the reserve relating to such item is transferred to the accumulated surplus/(deficit).

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 revalued surplus is transferred to the accumulated surplus/ (deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance

8 LEASES

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

Operating leases are those leases that do not fall within the scope of the above definition.

*The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 105 (Leases) with regards to the r*ecognition *of operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06 paragraphs 8 – 11)*

Municipality as Lessor:

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

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

9 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale are added to the costs of these assets, until such time as the assets are substantially ready for their intended use of sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the statement of financial performance in the period in which they are incurred.

10 FINANCIAL LIABILITIES

Financial liabilities (loans, creditors) 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.

Financial liabilities 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.

Unutilised Conditional Grants

Unutilised conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *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.*

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable than an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

12 EMPLOYEE BENEFITS

Pension obligations

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. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Group 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. 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.

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.

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 are charged against the Statement of Financial Performance as employee benefits upon valuation.

Ex-Gratia Pension Benefits

The municipality provides pension benefits to all employees who were not members of the pension or provident funds, and who had completed at least ten years of service at the council on reaching the age of 60. 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 are charged against the Statement of Financial Performance as employee benefits upon valuation.

13 FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or Financial *Liabilities*.

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:

- Unlisted Investments
- Investment in Fixed Deposits
- Long-term Receivables
- Consumer Debtors
- Other Debtors
- Short term Investment Deposits
- Bank Balances and Cash
- Operating lease assets

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

Type of Financial Asset	**Classification in terms of IAS 39.09**
Listed Investments	Held at fair value through profit or loss
Unlisted Investments	Held at fair value through profit or loss
Investments in Fixed Deposits	Held to maturity
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Short-term Investment Deposits	Held to maturity
Bank Balances and Cash	Held to maturity

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
- Creditors
- Bank Overdraft
- Current Portion of Long-term Liabilities
- Consumer Deposits
- VAT
- Operating lease liabilities

There are two main categories of Financial Liabilities, based on how they are measured. Financial liabilities may be measured at:

(i) Fair value through profit or loss; or
(ii) Not at fair value through profit or loss ("other financial liabilities").

Trade Payables

Trade payables and other receivables are originally carried at fair value and subsequently are measured at amortised cost using the effective interest method

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.

Measurement

Financial Assets:

Held-to-maturity investments and loans and receivables are initially measured at fair value, and subsequently measured at amortised cost. Financial assets are measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities are measured at amortised cost using the effective interest rate method where applicable.

The requirement that financial assets and liabilities (previously instruments) should initially be measured at fair value has been exempted in terms of General notice 522 of 2007.

Impairment of Financial Assets:

Annually an assessment is made as to whether there is any impairment of Financial Assets. If so, the recoverable amount is estimated and an impairment loss is recognised.

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.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost, using the effective interest rate method less a provision for impairment. All classes of loans and receivables are separately assessed for impairment annually.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with AC 144 (Financial Instruments: Disclosure). For AC 133 (Financial Instruments: Recognition and Measurement) the initial measurement of financial assets and liabilities at fair value is exempted. [SAICA Circular 09/06 paragraphs 43, AG 79, AG 64 and AG 65 of AC 133]

14 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at its carrying value which is:

- cost, less accumulated depreciation and impairment losses in respect of purchased assets, or
- at fair value at date of acquisition less accumulated depreciation and impairment losses in respect of assets acquired by grant or donation.

Subsequent expenditure is capatilised when the recognition and measurement criteria of an asset are met.

Depreciation and impairment losses

- Depreciation is calculated on cost or fair value using the straight-line method, which is expensed over the estimated useful lives of the assets. The depreciation rates are determined by applying the following general estimated useful lives:

Infrastructure	**Years**
Electricity	20
Housing	30
Water	20
Sewerage	20
Refuse	10
Other	
Specialists vehicles	5-20
Other vehicles	5
Office equipment	5
Furniture and fittings	5
Plant and equipment	5 - 10
Bins and containers	10
Computer equipment	5
Security System	5
Buildings	30
Roads/Streets	
Other Roads	10
Community	
Recreational Facilities	20
Libraries	30

The estimated useful lives and the depreciation methods were not reviewed as is required by GAMAP 17 as these requirements have been exempted in terms of General notice 522 of 2007.

Heritage assets, defined as culturally significant resources, are not depreciated as it is deemed to have an indefinite life.

Land is also not depreciated for the same reason as above.

Assets in the course of construction are stated at historic cost. Depreciation only commences when the asset is brought into use

Disposal of assets

- Assets are written off on disposal or withdrawal from service.
- The difference between the carrying amount of assets and the sales proceeds is reflected as a profit or loss in the Statement of Financial Performance.

Impairment

- For the year under review, the municipality did not perform impairment testing on its assets as is required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General notice 522 of 2007.

Landfill Sites

- The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of GAMAP 17 (Property, Plant and Equipment) for the municipality:

- *Review of useful life of item of PPE recognised in the annual financial statements. [Paragraphs 59-61 and 77]*
- *Review of the depreciation method applied to PPE recognised in the annual financial statements. [Paragraphs 62 and 77]*
- *Impairment of non-cash generating assets. [Paragraphs 64-69 and 75(e)(v) – (vi)]*
- *Impairment of cash generating assets. [Paragraphs 63 and 75(e)(v) – (vi)]*

15 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and impairment losses.

Amortisation is charged on a straight-line basis over their useful lives. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

For the year under review, the municipality did not capitalise Intangible Assets as is required by IAS 38 / AC 129 except for website costs and software as these requirements have been exempted in terms of General notice 522 of 2007.

16 INVESTMENT PROPERTY

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost. Subsequent to initial recognition investment properties are shown at fair value, based on periodic, but at least every three years, valuations by external independent valuers. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 135 (Investment Properties) for the municipality:

- The entire standard to the extent that the property is accounted for in terms of GAMAP 17. The municipality applied this exemption in that it accounts for Investment Properties as part of Property, Plant and Equipment in terms of GAMAP 17.
- Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))

17 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost or net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed for a nominal charge they are valued at that nominal charge being its realisable value.

Cost of inventory comprises all costs of purchase, cost of conversion and other cost incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value having regard to their estimated economic or realisable values.

Non-Purchased Water is valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

Items of immovable capital assets that meet the definition of inventory have not been accounted for as inventory as this requirement of GAMAP 12 has been exempted in terms of General notice 522 of 2007.

18 REVENUE RECOGNITION

Revenue is initially recognised at cost.

The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return has been exempted in terms of General notice 522 of 2007.

Revenue from Exchange Transactions

Revenue, which excludes value-added taxation where applicable, is derived from a variety of sources.

Revenue is recognised during the reporting period in which economic benefits or service potential flow to the municipality and these benefits can be measured.

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

Electricity and Water

Service charges relating to electricity and water are based on consumption except in the case of prepaid sales of these services. Meters are scheduled to be 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 during which meters have been read. These adjustments are recognised as revenue in the invoicing period.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Refuse Removal

Charges for refuse removal are recognised on an annual basis by applying the approved tariff to each property. Tariffs are determined per category of property usage.

Sewerage and Sanitation

Charges for sewerage and sanitation services are levied annually and are based on the type of service available to the property, applying the tariffs approved by Council.

Pre-paid electricity and water

Revenue from the sale of prepaid electricity and water is recognised on receipt.

An estimate is made for the unused portion of pre-paid revenue based on sales of pre-paid services during the last 10 days of the financial year.

Interest and sundry revenue earned

Interest and rentals are recognised on an accrual basis.

Dividends

Dividends are recognised on the dividend declaration date.

Income from agency services

Income for agency services is recognised on a monthly basis once the amount collected on behalf of principals has been quantified. Income is recognised in terms of the agreements.

Housing rental and instalments

Income in respect of housing rentals and instalment sales agreements, is accrued monthly.

Sale of goods

Revenue from the sale of goods is recognised when the ownership passes.

Public Contributions

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 in the Statement of Financial Position.

Revenue from non-exchange transactions

Rates and taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amount are legally enforceable. Penalty interest on unpaid rates is recognised on an accrual basis.

Rebates, granted to certain categories of ratepayers, are deducted from revenue in the financial statements but treated as an expense in the budget in accordance with the Property Rates Act.

Fines

Fines constitute both spot fines and those flowing from summonses. Revenue from spot fines is recognised when payment is received. Revenue arising from the issuing of summonses is only recognised when collected by the Courts. Due to the various legal processes applicable to summonses and the uncertainty as to the final decision of the Courts, it is not possible to measure this revenue when the summons is issued.

Donations and Contributions

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.

The value of the contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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.

19 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.

Revenue from unconditional grants such as the Equitable Share is recognised when received, to the extent it complies with the period for which it has been received.

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with the following requirements of AC 134 (Accounting for Government Grants):

- *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.*

20 VALUE ADDED TAX

The municipality accounts for value Added Tax on the payment basis.

21 GRANTS-IN-AIDS

The Municipality make grants to organisations and other sectors of society from time to time. When making these grants, the Municipality does not:

- Receive any goods or services as a quid pro quo;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These grants are recognised in the financial statements as expenses during the period in which transfers are made.

22 CASH AND CASH EQUVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

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

23 UNAUTHORIZED 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.

24 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 unauthorized 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.

25 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 Finance Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

26 FORGEIN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are accounted for in the Statement of Financial Performance.

27 COMPARATIVE INFORMATION

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

28 CONSISTENCY DISCLOSURE

In terms of Government Gazette No. 30013 dated 29 June 2007, the exemptions particular to GRAP 3.14,19 have been applied. Thus the comparatives (ie the 2006/07 accounting policies and disclosures) may not be consistent with the 2007/08 accounting policies and disclosures.

	2008	2007
	R	R
1 RESERVES		
Operating Reserve 2004	-	-
(Refer to Appendix A for more details)		
2 APPROPRIATIONS		
Appropriation account :		
Accumalated surplus/(deficit) at the beginning of the year	(674 476)	(2 299 834)
Operating surplus/(deficit) for the year	(4 366 358)	7 575 181
Appropriations for the year :	4 502 496	(5 949 823)
- Prior year adjustments	4 502 496	(5 949 823)
Accumulated deficit at the end of the year	**(538 338)**	**(674 476)**
Operating account :		
Capital expenditure	-	-
3 TRUST FUNDS		
Goukou - Structure Plan	-	-
Resurfacing	-	-
Reseal 04/05	-	-
Kerwelsvlei - Minor Road	-	-
Vicbay Beach Fund	-	-
Ballotsbay Resort	-	-
Disaster Fund	-	-
Vicbay Jetty	-	-
Resealing of Trunk Road 2/12	-	-
Repair ARMCO Gravelroad 83/1	-	-
GP83 Armco	-	-
AP1297 Slangriver	-	-
MR 363 Repair ARMCO	-	-
MR 369 Repair ARMCO	-	-
MR 342 Repair ARMCO	-	-
Div Roads 1316/1576/1577	-	-
	-	-
(Refer to Appendix A for more details)		
4 FIXED ASSETS		
Fixed assets at the beginning of the year	3 051 400	3 051 400
Capital expenditure dring the year	-	-
Less: Assets written off, transferred or disposed of during the year	-	-
Total fixed assets	3 051 400	3 051 400
Less: Loans redeemed and other capital receipts	3 051 400	3 051 400
Net fixed assets	-	-
5 LONG-TERM DEBTORS		
Vehicle Loans		13 369
Loans for personal computers	4 550	53 641
	4 550	**67 010**
Less: Short-term portion of long-term debtors transferred to current assets	4 550	67 010
	-	-
6 DEBTORS		
Suspense accounts	99 315	-
Plant Account	3 643 208	-
Other debtors	65 183	120 076
	3 807 706	**120 076**
7 PROVISIONS		
Performance Bonuses	30 854	85 097
Auditor General	-	-
Staff Leave	1 276 586	1 265 241
Long Service	568 565	568 565
	1 876 005	**1 918 902**

		2008	2007
8	**CREDITORS**	**R**	**R**
	Sundry creditors	1 081 883	3 221 897
	Debtors with credit balances	741 005	
	Suspense accounts	32 473	-
	Plant Account	-	822 656
		1 855 360	**4 044 553**
9	**VAT**		
	Vat payable	**-**	**1 959**
10	**FINANCE TRANSACTIONS**		
	Total external interest earned or paid		
	- Interest earned	**721 078**	**1 454 962**
	- Interest paid	-	-
	Capital charges debited to operating account		
	* Interest:	**-**	**-**
	- External	-	-
	- Internal	-	-
	* Delging:	**-**	**-**
	- Ekstern	-	-
	- Ekstern	-	-
		-	**-**
11	**CASH GENERATED BY OPERATIONS**		
	Surplus/(Deficit) for the year	(4 366 358)	7 575 181
	Adjustments in respect of :		
	Previous years operating transactions	4 502 496	(5 949 823)
	Appropriations charged against income	-	**-**
	* Provisions and reserves	-	-
	* Fixed assets	-	-
	Capital charges	**-**	**-**
	* Interest paid:	-	-
	- on external loans	-	-
	* Redemption:	-	-
	- of external loans	-	-
	* Deferred charges written off	-	-
	Investment income (operating account)	(721 078)	(1 454 962)
	Non-operating expenditure:		
	Charged against Provisions and Reserves	-	-
		(584 940)	**170 396**
12	**(INCREASE)/DECREASE IN WORKING CAPITAL**		
	Decrease/(Increase) in debtors, long term debtors	(3 625 170)	4 816 933
	Increase/(Decrease) in creditors, consumer deposits	(1 864 839)	3 941 079
		(5 490 009)	**8 758 012**
13	**(INCREASE)/DECREASE CASH AND CASH EQUIVALENTS**		
	Cash balance at the beginning of the year	5 103 853	(5 279 517)
	Less: Cash balance at the end of the year	(250 020)	5 103 853
		5 353 872	**(10 383 369)**
14	**(INCREASE)/DECREASE IN CASH INVESTMENTS**		
	Investments made		-
	Investments realised		-
		-	**-**

15 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

15.1 Contributions to organized local government

	2008 R	2007 R
Opening balance	-	-
Council subscriptions	-	-
Amount paid - current year	-	-
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

The contribution to SALGA was paid by Eden District Municipality and includes the contribution for the Roads Agency Function. It was financed ou of the administration levy received by Eden District Municipality.

15.2 Audit fees

	2008	2007
Opening balance	-	118 729
Current year audit fee		-
Amount paid - current year	(747)	(24 844)
Amount paid - previous years	-	-
	(747)	**(24 844)**

15.3 VAT

Vat inputs receivable and Vat outputs payable are shown in note 9. All Vat returns have been submitted by the due date throughout the year.

15.4 PAYE and UIF

	2008	2007
Opening balance	-	-
Current year payroll deductions	4 507 387	1 824 782
Amount paid - current year	(4 507 387)	(1 824 782)
Amount paid - previous year	-	-
Balance unpaid (included in creditors)	**-**	**-**

15.5 Pension and Medical Aid Deductions

	2008	2007
Opening balance	(44 021)	(35 132)
Current year payroll deductions and Council Contributions	(9 302 831)	(3 498 845)
Amount paid - current year	9 282 562	3 489 956
Amount paid - previous years		-
Balance outstanding (included in debtors)	**(64 290)**	**(44 021)**

The balance represents amounts due to us by pensioners regarding their medical contributions. Invoices for the outstanding amounts were issued by the Municipality.

15.6 Non-compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has developed a supply chain management policy.

APPENDIX A:
STATUTORY FUNDS, RESERVES AND PROVISIONS
FOR THE YEAR ENDED 30 JUNE 2008

	Balance at 30 June 2007	Contributions during the year	Interest on investments	Other income	Expenditure during the year	Balance at 30 June 2008
RESERVES						
Operating Reserve 2004	-	-	-	-	-	-
TRUST FUNDS	-				-	
Goukou - Structure Plan	-	-	-	-	-	-
Resurfacing	-	-	-		-	-
Reseal 04/05	-	-	-	-	-	-
Kerwelsvlei - Minor Road	-	-	-	-	-	-
Vicbay Beach Fund	-	-	-	-	-	-
Ballotsbay Resort	-	-	-	-	-	-
Disaster Fund	-	-	-	-	-	-
Vicbay Jetty	-	-	-	-	-	-
Resealing of Trunk Road 2/12	-	-	-	-	-	-
Repair ARMCO Gravelroad 83/1	-	-	-	-	-	-
GP83 Armco	-	-	-		-	-
AP1297 Slangriver	-	-	-		-	-
MR 363 Repair ARMCO	-	-	-		-	-
MR 369 Repair ARMCO	-	-	-	-	-	-
MR 342 Repair ARMCO	-		-	-	-	-
Div Roads 1316/1576/1577	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**

APPENDIX C:
ANALYSIS OF FIXED ASSETS
FOR THE YEAR ENDED 30 JUNE 2007

Expenditure 2006/2007	Asset	Budget 2007/2008	Balance at 30 June 2007	Expenditure 2007/2008	Written off, Transferred or Disposed	Balance at 30 June 2008
0	**Rates and General**	-	3 051 400	-	-	3 051 400
0	Roads Expenditure	-	3 051 400	-	-	3 051 400
0	**Total Fixed Assets**	**-**	**3 051 400**	**-**	**-**	**3 051 400**
	LESS : Loans Redeemed and Other Capital Receipts		3 051 400	-	-	3 051 400
	Loans Redeemed		-			-
	Contibution from Current Income		3 051 400	-	-	3 051 400
	Donations and subsidies		-			-
	NETT FIXED ASSETS		**-**	**-**	**-**	**-**

APPENDIX D:
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDED 30 JUNE 2008

Actual 2006/2007		Actual 2007/2008
	INCOME	
107 795 563	Government and Provincial Grants and Subsidies	76 707 204
6 359 100	Advances Plant Account	9 500 000
1 725 602	Other Income	7 166 756
115 880 265		**93 373 960**
	Expenditure	
29 934 359	Employee related costs	32 214 239
19 898 785	Plant Hire	19 475 599
51 682 326	Material	17 449 722
4 065 172	Allocation Indirect Account	4 285 582
107 584	Contracts	90 140
2 045 931	General Expenses	20 660 264
195 974	Repair and Maintenance costs	3 138 296
374 953	Contributions to Capital	426 475
108 305 084	**Net Expenditure**	**97 740 318**

APPENDIX E:
DETAILED INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2008

2006/2007 Actual Income	**2006/2007** Actual Expenditure	**2006/2007 Actual Surplus/ (Deficit)**		**2007/2008 Actual Income**	**2007/2008 Actual Expenditure**	**2007/2008 Actual Surplus/ (Deficit)**	**2007/2008 Budget Surplus/ (Deficit)**
115 880 265	108 305 084	7 575 181	**RATES AND GENERAL SERVICES**	93 373 960	97 740 318	(4 366 358)	21 728 682
115 880 265	**108 305 084**	**7 575 181**		**93 373 960**	**97 740 318**	**(4 366 358)**	**21 728 682**
107 795 563	46 079 369	61 716 194	Normal Repair & Maintenance	82 637 850	65 127 163	17 510 687	(10 851 163)
-	54 270 904	(54 270 904)	Emergency Expenses		25 283 320	(25 283 320)	28 316 680
-	2 006 127	(2 006 127)	Re-Surfacing		4 032 322	(4 032 322)	1 467 678
-	1 184 335	(1 184 335)	Fencing		515 766	(515 766)	(65 766)
-	-	-	Construction,Re-construction&Improvements			-	-
168 570	741 155	(572 585)	Road Signs	330 400	848 454	(518 054)	221 546
-	1 579 859	(1 579 859)	Minor Roads		1 680 796	(1 680 796)	(349 796)
-	-	-	Main Roads			-	-
102 070	-	102 070	Traffic Fines	184 632		184 632	-
-	2 213 233	(2 213 233)	Routine maintenance		10 538	(10 538)	2 989 462
1 454 962	-	1 454 962	Interest received	721 078		721 078	
-	-	-	Interest on Overdraft			-	-
6 359 100	-	6 359 100	Advances Plant Account	9 500 000		9 500 000	-
-	230 102	(230 102)	Approved Capital Projects		241 959	(241 959)	41
115 880 265	**108 305 084**	**7 575 181**	**TOTAL**	**93 373 960**	**97 740 318**	**(4 366 358)**	**-**
		(5 949 823)	Appropriations for the year			4 502 496	
		1 625 358	**Nett surplus for the year**			**136 138**	
			Accumulated surplus/(deficit) :				
		(2 299 834)	beginning of the year			(674 476)	
			ACCUMULATED DEFICIT:				
		(674 476)	**END OF THE YEAR**			**(538 338)**	