

Makana

MUNICIPALITY



MAKANA
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[These financial statements have not been audited]

ANNUAL FINANCIAL STATEMENTS

30 JUNE 2010

MAKANA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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MAKANA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

GENERAL INFORMATION

NATURE OF BUSINESS

Makana Municipality is a municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Makana Municipality includes the following areas:

Alicedale *Fort Brown*
Grahamstown *Seven Fountain*
Riebeeck East *Salem*

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

Executive Mayor	<i>Hon. Mr V.G. Lwana</i>
Chairperson: Budget, Treasury and IDP Portfolio Committee	Mr N. Stamper
Chairperson: Technical and Infrastructure Services Portfolio Committee	Mr Z Peter
Chairperson: Corporate Services Portfolio Committee	Ms T Ngeleza
Chairperson: Community and Social Services Portfolio Committee	Ms JC Wells
Chairperson: Local Economic Development Portfolio Committee	Mrs N Masoma

MUNICIPAL MANAGER

Ms N.L. Baart

CHIEF FINANCIAL OFFICER

Mr M.J. Ngcelwane

REGISTERED OFFICE

<i>City Hall</i>	<i>P O Box 176</i>	<i>Tel (046) 603 6130</i>
<i>High Street</i>	<i>Grahamstown</i>	<i>Fax (046) 636 2472</i>
<i>Grahamstown</i>	<i>6240</i>	

AUDITORS

Office of the Auditor General (East London)
Private Bag X13252
Vincent
East London
5247

PRINCIPLE BANKERS

First National Bank
102 High Street
Grahamstown
6140

RELEVANT LEGISLATION

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

ATTORNEYS

Gray Moodliar
Smith Tabata Incorporated

MAKANA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

MEMBERS OF THE MAKANA MUNICIPALITY

WARD	COUNCILLOR
1	Cllr. B. Bonani
2	Cllr. R. Madinda
3	Cllr. Z. Peter
4	Cllr. M. Phongolo
5	Cllr. L. Nase
6	Cllr. Z. Mantla
7	Cllr. Gaga
8	Cllr. N. Fuku
9	Cllr. M. Ntshiba
10	Cllr. X. Simakuhle
11	Cllr. L.C. May
12	Cllr. N. Stamper
Proportional	Cllr. N. Faltein
Proportional	Cllr. M. Fulani
Proportional	Cllr. V.G. Lwana
Proportional	Cllr. X. Madyo
Proportional	Cllr. N. Masoma
Proportional	Cllr. N. Mshubeki
Proportional	Cllr. T. Ngeleza
Proportional	Cllr. L. Reynolds
Proportional	Cllr. N.C. Tyantsula
Proportional	Cllr. T. Veliti
Proportional	Cllr. J.C. Wells
Proportional	Cllr. M.G. Whisson

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 61 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

Ms N.L. Baart
Municipal Manager

Date

MAKANA MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Notes	2010 R	2009 R
NET ASSETS AND LIABILITIES			
Net Assets		354 018 776	286 968 807
Housing Development fund	2	5 353 566	5 374 224
Accumulated Surplus/(Deficit)		348 665 210	281 594 583
Non-Current Liabilities		37 431 485	35 867 945
Long-term Liabilities	3	1 579 187	2 431 819
Employee benefits	4	35 852 298	33 436 126
Non-Current Provisions	5	-	-
Current Liabilities		106 162 591	86 775 684
Consumer Deposits	6	1 914 434	1 820 879
Current Employee benefits	7	6 923 201	7 636 974
Provisions	8	-	-
Trade and other payables	9	13 748 298	10 667 469
Unspent Conditional Government Grants and Receipts	10	44 537 799	45 971 326
Taxes	11	28 340 705	12 328 941
Bank Overdraft	22	9 795 496	7 524 969
Current Portion of Long-term Liabilities	3	902 658	825 126
Total Net Assets and Liabilities		497 612 852	409 612 436
ASSETS			
Non-Current Assets		347 981 748	285 011 343
Non-Current Assets Held for Sale	12	-	-
Property, Plant and Equipment	13	336 698 393	274 539 656
Investment Property	14	-	-
Intangible Assets	15	12 105	12 105
Non-Current Investments	16	11 271 249	10 459 581
Long-Term Receivables	17	-	-
Current Assets		149 631 104	124 601 093
Inventory	18	4 914 009	5 317 909
Trade Receivables from exchange transactions	19	53 924 342	38 666 789
Other Receivables from non-exchange transactions	20	9 597 236	11 061 192
Unpaid Conditional Government Grants and Receipts	10	642 804	536 684
Operating Lease Asset	21	69 455	71 311
Taxes	11	16 369 459	1 789 062
Current Portion of Long-term Receivables	17	5 934	11 189
Cash and Cash Equivalents	22	64 107 865	67 146 957
Total Assets		497 612 852	409 612 436

MAKANA MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 (Actual) R	2009 (Restated) R	Correction of error Note - 34	2009 (Previously reported)
REVENUE					
Revenue from Non-exchange Transactions		130 822 295	97 671 633	-	97 671 633
Taxation Revenue		20 378 678	27 504 519	-	27 504 519
Property taxes	23	20 378 678	27 504 519	-	27 504 519
Transfer Revenue		108 050 597	65 452 914	-	65 452 914
Government Grants and Subsidies - Capital	24	57 475 113	23 202 070	-	23 202 070
Government Grants and Subsidies - Operating	24	50 575 483	42 250 844	-	42 250 844
Other Revenue		2 393 021	4 714 200	-	4 714 200
Actuarial Gains		604 231	1 938 867	-	1 938 867
Third Party Payments		13 612	37 045	-	37 045
Fines		1 499 529	1 268 254	-	1 268 254
Stock Adjustments	18	-	1 182 973	-	1 182 973
Reversal of investment impairments		-	287 062	-	287 062
Reversal of staff leave provision	27	275 650	-	-	-
Revenue from Exchange Transactions		135 273 041	103 920 817	59 469	103 861 348
Service Charges	25	112 535 133	81 235 292	-	81 235 292
Rental of Facilities and Equipment		990 340	818 954	-	818 954
Interest Earned - external investments		5 184 983	7 582 984	(75 797)	7 658 781
Interest Earned - outstanding debtors		8 036 322	10 041 040	-	10 041 040
Licences and Permits		2 332 107	2 434 821	90 178	2 344 643
Agency Services		486 128	753 434	45 089	708 346
Other Revenue	26	5 708 026	1 054 293	-	1 054 293
Total Revenue		266 095 336	201 592 450	59 469	201 532 981
EXPENDITURE					
Employee related costs	27	81 838 735	77 918 709	(373 878)	78 292 587
Remuneration of Councillors	28	6 342 680	5 463 365	-	5 463 365
Debt Impairment	29	21 937 831	30 884 534	-	30 884 534
Repairs and Maintenance		9 869 996	9 275 479	118 732	9 156 747
Finance Charges	30	269 774	360 395	(367)	360 762
Bulk Purchases	31	37 507 853	28 172 334	-	28 172 334
Contracted services		394 426	724 819	354 939	369 881
Grants and Subsidies Paid	32	467 920	425 400	(564 087)	989 487
Stock Adjustments	18	1 829 506	-	-	-
Other Operating Grant Expenditure		3 042 617	1 701 052	562 592	1 138 460
General Expenses	33	35 661 805	27 368 406	(424 661)	27 793 067
Total Expenditure		199 163 142	182 294 494	(326 730)	182 621 224
Operating Surplus for the Year		66 932 194	19 297 956	386 199	18 911 757
Loss on disposal of Property, Plant and Equipment		-	(140 314)	-	(140 314)
Gain on disposal of Property, Plant & Equipment		117 775	-	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		67 049 969	19 157 642	386 199	18 771 443

MAKANA MUNICIPALITY

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

	Housing Development Fund	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 JULY 2008	5 397 806	256 058 982	261 456 789
Correction of error - See Note 34.9	-	6 354 376	6 354 376
Restated Balance at 1 JULY 2008	5 397 806	262 413 359	267 811 165
Net Surplus/(Deficit) for the year		19 157 642	19 157 642
Transfer from/(to) Housing Development Fund	(23 583)	23 583	-
Restated Balance at 1 JULY 2009	5 374 224	281 594 583	286 968 807
Net Surplus/(Deficit) for the year	-	67 049 969	67 049 969
Transfer from/(to) Housing Development Fund	(20 658)	20 658	-
Balance at 30 JUNE 2010	5 353 566	348 665 210	354 018 776

MAKANA MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		249 054 430	181 316 730
Cash paid to suppliers and employees		(195 750 338)	(145 888 351)
Cash generated by operations	36	53 304 092	35 428 379
Interest Received		5 184 983	7 582 984
Interest Paid	30	(269 774)	(360 395)
Net Cash from Operating Activities		58 219 301	42 650 968
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	13	(62 362 430)	(37 697 201)
Proceeds on Disposal of Fixed Assets		321 468	171 436
(Increase)/Decrease in Intangible Assets		-	(4 885)
(Increase)/Decrease in Long-term Receivables		5 254	27 410
Decrease/(Increase) in Non-current Investments		(811 668)	(569 471)
Net Cash from Investing Activities		(62 847 376)	(38 072 712)
CASH FLOW FROM FINANCING ACTIVITIES			
Loans repaid		(775 100)	(456 312)
Increase/(Decrease) in Consumer Deposits		93 556	58 064
Net Cash from Financing Activities		(681 544)	(398 249)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		(5 309 619)	4 180 007
Cash and Cash Equivalents at the beginning of the year		59 621 988	55 441 981
Cash and Cash Equivalents at the end of the year	37	54 312 369	59 621 988
NET INCREASE IN CASH AND CASH EQUIVALENTS		(5 309 619)	4 180 007

INSERT ACCOUNTING POLICY

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
2 NET ASSET RESERVES		
RESERVES	5 353 566	5 374 224
Housing Development fund	5 353 566	5 374 224
Total Net Asset Reserve and Liabilities	5 353 566	5 374 224
3 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	1 628 122	2 103 388
Balance previously reported		2 104 321
Correction of error - Refer note 34.1		(933)
Capitalised Lease Liability - At amortised cost	853 722	1 153 556
	2 481 845	3 256 944
Less: Current Portion transferred to Current Liabilities	902 658	825 126
Annuity Loans - At amortised cost	543 549	475 266
Capitalised Lease Liability - At amortised cost	359 108	349 859
Total Long-term Liabilities - At amortised cost using the effective interest rate method	1 579 187	2 431 819

There is one annuity loan outstanding, it carries interest at 13,50% per annum and will be fully redeemed in February 2013. The annuity loan is secured by the assessment rates payable by Rhodes University. No other loans are secured by any assets of the municipality.

The obligations under annuity loans are scheduled below

	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	730 721	730 721
Payable within two to five years	1 217 868	1 948 588
Payable after five years	-	-
	1 948 588	2 679 309
Less: Future finance obligations	(320 466)	(575 921)
Present value of annuity obligations	1 628 122	2 103 388
	R -	R -

The obligations under finance leases are scheduled below

	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	452 620	482 833
Payable within two to five years	553 248	942 635
Payable after five years	-	-
	1 005 868	1 425 468
Less: Future finance obligations	(152 146)	(271 912)
Present value of lease obligations	853 722	1 153 556
	R -	R -

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases are secured by property, plant and equipment - Note 13

The Municipality resolved in early 2010 to raise a long term loan amounting to R50 000 000 for funding infrastructure projects in the field of Water, Sewerage and Roads network. The loan will be unsecured and the awarding to the successful financial institution will be decided in the first quarter of 2010/11 financial year

4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.1	33 724 361	31 477 359
Long Service Awards - Refer to Note 4.2	2 127 937	1 958 767
Total Non-current Employee Benefit Liabilities	35 852 298	33 436 126

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<u>Post Retirement Benefits</u>		
Balance 1 July	32 970 770	31 054 179
Contribution for the year	3 841 952	4 433 589
Expenditure for the year	(1 494 516)	(1 379 941)
Actuarial Loss/(Gain)	1 106	(1 137 057)
Total post retirement benefits 30 June	35 319 312	32 970 770
Less: Transfer of Current Portion - Note 7	(1 594 951)	(1 493 411)
Balance 30 June	33 724 361	31 477 359
<u>Long Service Awards</u>		
Balance 1 July	2 570 595	2 735 639
Contribution for the year	544 134	636 766
Expenditure for the year	(6 490)	-
Actuarial Loss/(Gain)	(605 337)	(801 810)
Total long service 30 June	2 502 902	2 570 595
Less: Transfer of Current Portion - Note 7	(374 965)	(611 828)
Balance 30 June	2 127 937	1 958 767
<u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u>		
Balance 1 July	35 541 365	33 789 818
Contribution for the year	4 386 086	5 070 355
Expenditure for the year	(1 501 006)	(1 379 941)
Actuarial Loss/(Gain)	(604 231)	(1 938 867)
Total employee benefits 30 June	37 822 214	35 541 365
Less: Transfer of Current Portion - Note 7	(1 969 916)	(2 105 239)
Balance 30 June	35 852 298	33 436 126

4 EMPLOYEE BENEFITS (CONTINUE)

4.1 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	277	277
Continuation members (e.g. Retirees, widows, orphans)	71	71
Total Members	348	348
	2010 R	2009 R

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the ensuing year is estimated to be R 1 125 686, whereas the Interest- Cost for the next year is estimated to be R 2 716 266.

Key actuarial assumptions used:

	2010 %	2009 %
i) Rate of interest		
Discount rate	8.43%	8.43%
Health Care Cost Inflation Rate	6.80%	6.80%
Net Effective Discount Rate	1.52%	1.52%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 63.

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
The amounts recognised in the Statement of Financial Position are as follows		
Present value of fund obligations	35 319 312	32 970 770
Net liability/(asset)	35 319 312	32 970 770

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).

Reconciliation of present value of fund obligation

Present value of fund obligation at the beginning of the year	32 970 770	31 054 179
Total expenses	2 347 436	3 053 648
Current service cost	1 125 686	1 136 996
Interest Cost	2 716 266	3 296 593
Benefits Paid	(1 494 516)	(1 379 941)
Actuarial (gains)/losses	1 106	(1 137 057)
Present value of fund obligation at the end of the year	35 319 312	32 970 770
Less: Transfer of Current Portion - Note 7	(1 594 951)	(1 493 411)
Balance 30 June	33 724 361	31 477 359

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows

	Increase	Decrease
Effect on the aggregate of the current service cost and interest cost components	37 558 121	29 171 715
Effect on the defined benefit obligation	4 587 351	(1 882 464)

4.2 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 866 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R 384,692 whereas the Interest- Cost for the next year is estimated to be R 193,323.

Key actuarial assumptions used:

i) Rate of interest

	2010 %	2009 %
Discount rate	8.35%	8.35%
General Salary Inflation (long-term)	5.38%	5.38%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2.82%	2.82%

	2010 R	2009 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	2 502 902	2 570 595
Net liability/(asset)	2 502 902	2 570 595

Reconciliation of present value of fund obligation

Present value of fund obligation at the beginning of the year	2 570 595	2 735 639
Total expenses	537 644	636 766
Current service cost	355 048	374 627
Interest Cost	189 086	262 139
Benefits Paid	(6 490)	-
Actuarial (gains)/losses	(605 337)	(801 810)
Present value of fund obligation at the end of the year	2 502 902	2 570 595
Less: Transfer of Current Portion - Note 7	(374 965)	(611 828)
Balance 30 June	2 127 937	1 958 767

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
4.3 Retirement funds		
<p>Both the Cape Joint Pension Fund and Cape Joint Retirement Fund are multi-employer plans. This means that there are multiple local authorities that participate in these funds. In terms of IAS 19, multi-employer plans are defined as defined benefit plans. IAS 19 also state that when sufficient information is not available to use defined benefit accounting for a multi-employer plan, an entity will account for the plan as if it were a defined contribution plan.</p> <p>The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in IAS 19.</p> <p>As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.</p> <p>Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.</p> <p><u>CAPE JOINT PENSION FUND</u></p> <p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100% (30 June 2008 - 106.5%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2009 financial year.</p> <p><u>CAPE JOINT RETIREMENT FUND</u></p> <p>The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2009 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2008 - 103.3%).</p> <p><u>MUNICIPAL COUNCILLORS PENSION</u></p> <p>The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) is sufficient to fund the benefits accruing from the fund in the future.</p>		
5 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	-	-
Total Non-current provisions	<u>-</u>	<u>-</u>
<p>Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.1</p>		
6 CONSUMER DEPOSITS		
Electricity	1 444 693	1 413 406
Water	469 741	407 473
Total Consumer Deposits	<u>1 914 434</u>	<u>1 820 879</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>142 918</u>	<u>142 918</u>
<p>The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.</p>		
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	1 594 951	1 493 411
Current Portion of Long-Service Provisions - Note 4	374 965	611 828
Task Implementation Backpay	557 428	-
Staff Leave	4 395 856	5 531 735
Total Current Employee Benefits	<u>6 923 201</u>	<u>7 636 974</u>
<p>The movement in current employee benefits are reconciled as follows:</p>		

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<u>Staff Leave</u>		
Balance at beginning of year	5 531 735	2 491 160
Contributions to staff leave	(275 650)	3 896 707
Contribution previously reported		4 272 080
Correction of error - Refer note 34.2		(375 373)
Expenditure incurred	(860 229)	(856 131)
Balance at end of year	<u>4 395 856</u>	<u>5 531 735</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Task Implementation Backpay

Balance at beginning of year	-	-
Contribution to current portion	557 428	-
Balance at end of year	<u>557 428</u>	<u>-</u>

A new national grading system for municipalities was approved which includes backpay as from 01 November 2009 for qualifying post-levels. The provision is in respect of this backpay which was paid during August 2010.

GRAP 19 -Provisions, Contingent Liabilities and Contingent Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise the following provisions, contingent liabilities or contingent assets relating to Property, Plant and Equipment:

Refuse tip-sites financed by way of a provision;
Ex-gratia pensions

The municipality is currently in a process of identifying all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following provisions were measured in accordance with GRAP 19 and restated retrospectively:

	2010	2009
Refuse tip-sites financed by way of a provision;		
Post retirement benefits		
Long service awards		
Ex-gratia pensions		
	<u>-</u>	<u>-</u>

8 PROVISIONS

Provision for Rehabilitation of Landfill-sites	-	-
Total Provisions	<u>-</u>	<u>-</u>

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.1

9 TRADE AND OTHER PAYABLES

Trade Payables	1 799 431	1 629 974
Balance Previously reported		1 377 859
Correction of error - Refer note 34.8		252 115
Other Creditors	10 969 767	8 102 759
Balance Previously reported		9 939 940
Correction of error - Refer note 34.8		(1 837 181)
Payments received in advance	308 376	190 083
Sundry Deposits	670 724	744 654
Total Trade Payables	<u>13 748 298</u>	<u>10 667 469</u>

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

Sundry deposits include Hall, Builders and Housing Deposits

2010 R	2009 R
2010 R	2009 R

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Unspent National, Provincial and Other Grants	44 537 799	45 971 326
Balance Previously reported		47 140 013
Correction of error - Refer note 34.7		(1 168 687)
Less: Unpaid National, Provincial and Other Grants	642 804	536 684
Balance Previously reported		1 855 271
Correction of error - Refer note 34.7		(1 318 587)
Total Conditional Grants and Receipts	<u>43 894 995</u>	<u>45 434 642</u>

All unspent grants are cash-backed with investments. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld. No significant changes in the level of grant funding is expected for the foreseeable future.

Refer to appendix D and note 24 for reconciliation of grants from other spheres of government

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

11	TAXES	2010 R	2009 R
	VAT Payable	28 340 705	12 328 941
	VAT Receivable	(16 369 459)	(1 789 062)
		<u>11 971 246</u>	<u>10 539 879</u>

VAT is payable/receivable on the cash basis.

13	PROPERTY, PLANT AND EQUIPMENT	2010 R	2009 R
	<u>See attached sheet</u>		
12	NON-CURRENT ASSETS HELD FOR SALE		
	Assets held for sale	<u>-</u>	<u>-</u>

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.1

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Carrying value of temporarily idle property plant and equipment

Cost

- Land and Buildings
- Infrastructure
- Community Assets
- Lease Assets
- Heritage
- Other

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Assets pledged as security:

No assets are pledged as security for any facilities of the municipality, except the assets acquired in terms of a finance lease as disclosed in Appendix A of the financial statements

Third party payments received for losses incurred:

Payments received (Excluding VAT)
Carrying value of assets written off/lost

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14	INVESTMENT PROPERTY	2010 R	2009 R
	Net Carrying amount at 30 June	-	-
	Cost	-	-
	Accumulated Depreciation	-	-

All land held by the municipality has been classified as investment property and valued at zero. Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.3

GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise all the Investment Properties:

The municipality is currently in a process of identifying all Investment Properties and have it valued in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2010 financial statements.

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

	2010 R	2009 R
Land with undetermined use;		
Land;		
Buildings; and		
Land and Buildings.		
Total not previously recognised now restated retrospectively	-	-
Revenue derived from the rental of investment property	-	-
Operating expenditure incurred on properties generating revenue	-	-
Operating expenditure incurred on properties not generating revenue	-	-
There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.		
There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.		
Estimated Fair Value of Investment Property at 30 June	-	-

Give details how Fair value was determined and assumptions used

15	INTANGIBLE ASSETS		
	Computer Software		
	Net Carrying amount at 1 July	12 105	7 220
	Cost	12 105	7 220
	Accumulated Amortisation	-	-
	Acquisitions	-	4 885
	Net Carrying amount at 30 June	12 105	12 105
	Cost	12 105	12 105
	Accumulated Amortisation	-	-

Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.4

GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not recognise or measure all the Intangible Assets in accordance with the standard, including the following:

Computer Software;
Intangible assets financed by way of finance leases
Intangible assets transferred as a result of the transfer of functions; and
Servitudes.

The municipality is currently in a process of identifying all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2010 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

	2010	2009
Computer software;		
Accumulated amortisation on computer software		
Total not previously recognised now restated retrospectively	-	-
The following material intangible assets are included in the carrying value above		

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

<u>Description</u>	<u>Remaining Amortisation Period</u>	<u>Carrying Value</u>	
		<u>2010</u> R	<u>2009</u> R
No intangible asset were assessed having an indefinite useful life.			
There are no intangible assets whose title is restricted.			
There are no intangible assets pledged as security for liabilities			
There are no contractual commitments for the acquisition of intangible assets.			
16 NON-CURRENT INVESTMENTS			
Financial Instruments			
Collateral Deposits		161 477	161 477
Fixed Deposits		11 109 772	10 298 104
Balance Previously reported			985 308
Correction of error - Refer note 34.3			9 312 797
Total Non-Current Investments		11 271 249	10 459 581

Long term deposits are investments with a maturity period of more than 12 months and earns interest at weighted average rate 7.82 % at year end (2009 - 11.71%).

Included in Non-Current investments are balances ring-fenced for the following specific purpose:

Collateral	161 477	161 477
	161 477	161 477

Fixed deposits consist of the following accounts

<u>Institution</u>	<u>Account type</u>	<u>Account number</u>		
ABSA	Fixed Deposit	2066155099	485 379	431 640
FNB	Fixed Deposit	71114249115	6 652 547	5 953 062
FNB	Fixed Deposit	71113058913	2 960 568	2 960 568
GBS Mutual	Fixed Deposit	2250604601	166 218	166 218
GBS Mutual	Fixed Deposit	2250604634	320 000	320 000
GBS Mutual	Fixed Deposit	2250604645	118 054	105 030
Standard Bank	Fixed Deposit	088807657-004	135 571	120 417
Standard Bank	Fixed Deposit	088812685-001	271 437	241 170
			11 109 772	10 298 104

No investments have been pledged as security for any funding facilities of the council

Investments are made in terms of the municipality's Cash Management and Investment Policy, as required by means of Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
17 LONG TERM RECEIVABLES		
Staff Car Loans - At amortised cost	5 934	11 189
Current portion transferred to current receivables	(5 934)	(11 189)
Total Long Term Receivables	-	-
18 INVENTORY		
Consumable Stores - Stationery and materials - At cost	1 780 375	2 615 435
Maintenance Materials - At cost	3 133 634	2 702 474
Water – at cost	-	-
Total Inventory	4 914 009	5 317 909
Consumable stores materials written down due to losses as identified during the annual stores counts.	1 829 506	-
Consumable stores materials surpluses identified during the annual stores counts.	-	1 182 973
Inventory recognised as an expense during the year	5 200 013	5 228 466
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities. Refer to Note 51.5		
Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:		
Water		
Land held for sale		
Other (list).		
No inventory is pledged as security for any facilities of the municipality		
19 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Electricity	25 558 329	17 148 351
Water	59 509 959	55 488 808
Refuse	9 766 249	11 424 672
Sewerage	30 038 968	26 768 384
Other Arrears	6 405 696	6 282 966
Balance previously reported		6 283 507
Correction of error - Refer note 34.6		(186 356)
Total Trade and other receivables	131 279 201	117 113 181
Provision for impairments	(77 354 859)	(78 446 391)
Net Trade and other receivables	53 924 342	38 666 789
Ageing of Receivables from Exchange Transactions:		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	4 995 329	3 351 614
31 - 60 Days	3 136 084	2 104 154
61 - 90 Days	2 494 791	1 673 879
+ 90 Days	14 932 125	10 018 704
Total	25 558 329	17 148 351
<u>(Water): Ageing</u>		
Current (0 - 30 days)	846 102	788 930
31 - 60 Days	1 737 043	1 619 669
61 - 90 Days	1 946 337	1 814 821
+ 90 Days	54 980 477	51 265 388
Total	59 509 959	55 488 808
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	(770 314)	(901 123)
31 - 60 Days	232 616	272 117
61 - 90 Days	200 014	233 979
+ 90 Days	10 103 933	11 819 698
Total	9 766 249	11 424 672

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	90 141	80 327
31 - 60 Days	446 655	398 024
61 - 90 Days	391 628	348 988
+ 90 Days	29 110 544	25 941 044
Total	30 038 968	26 768 384
<u>(Other): Ageing</u>		
Current (0 - 30 days)	130 837	130 246
31 - 60 Days	110 196	109 698
61 - 90 Days	112 010	111 504
+ 90 Days	6 052 654	6 025 325
Total	6 405 696	6 376 774
<u>(Total): Ageing</u>		
Current (0 - 30 days)	5 292 094	3 449 994
31 - 60 Days	5 662 594	4 503 663
61 - 90 Days	5 144 780	4 183 171
+ 90 Days	115 179 732	105 070 160
Total	131 279 201	117 206 988
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	78 446 391	66 228 927
Contribution to provision	18 473 960	11 996 246
Bad Debts Reversed/(Written Off)	(19 565 492)	221 219
Balance at end of year	77 354 859	78 446 391
<p>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.</p>		
20 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Taxes - Rates	26 894 779	27 705 323
Accrued Fines	121 381	102 621
Accrued interest	800 660	793 897
Balance previously reported		-
Correction of error - Refer note 34.5		793 897
Other Debtors	1 165 310	1 347 640
Balance previously reported		1 014 120
Correction of error - Refer note 34.5		333 520
Total Trade and other receivables	28 982 131	29 949 481
Provision for impairments	(19 384 894)	(18 888 288)
Net Trade and other receivables	9 597 236	11 061 192
Ageing of Receivables from Non-Exchange Transactions:		
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	(156 618)	(161 338)
31 - 60 Days	372 955	384 195
61 - 90 Days	259 185	266 996
+ 90 Days	26 419 258	27 215 471
Total	26 894 779	27 705 323

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Reconciliation of Provision for Bad Debts		
Balance at beginning of year	18 888 288	-
Contribution to provision	3 463 871	18 888 288
Bad Debts Written off	(2 967 265)	-
Balance at end of year	19 384 894	18 888 288

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.

21 **OPERATING LEASE ARRANGEMENTS**

The Municipality as Lessor

Operating lease asset	69 455	71 311
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Reconciliation of lease asset

Opening balance	71 311	67 430
Movement during the year	(1 857)	3 881
Balance on 30 June	69 455	71 311

At the Statement of Financial Position date, where the municipality acts as a lessor under non-cancellable operating leases, it will receive operating lease income as follows:

Up to 1 Year	91 491	84 573
1 to 5 Years	303 297	313 846
More than 5 Years	-	80 942
Total Operating Lease Arrangements	394 788	479 361

2010 R	2009 R
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22 **CASH AND CASH EQUIVALENTS**

Assets

Call Investment Deposits	64 100 573	67 139 665
Balance previously reported		77 277 283
Correction of error - Refer note 34.4		(10 137 619)
Cash Floats	7 293	7 293
Total Cash and Cash Equivalents - Assets	64 107 865	67 146 957

Liabilities

Primary Bank Account	9 795 496	7 525 242
Balance previously reported		12 337 834
Correction of error - Refer note 34.4		(4 812 592)
Total Cash and Cash Equivalents - Liabilities	9 795 496	7 525 242

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

An overdraft facility of R 1000 000 exist at FNB

A guarantee in favour of Eskom to the value of R 418 000 exist at year-end

The municipality has the following bank accounts:

Current Accounts

Cash book balance at beginning of year	(7 524 969)	1 879 843
Cash book balance at end of year	(9 795 496)	(7 524 969)

First National Bank - Account Number 620 312 325 31 (Primary Account):

Bank statement balance at beginning of year	3 763 040	2 555 983
Bank statement balance at end of year	1 789 603	3 763 040

Standard Bank (Secondary Bank Account): 081 999 356

Bank statement balance at beginning of year	11 120	796 391
Bank statement balance at end of year	990 771	11 120

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

			2010	2009
			R	R
Call Investment Deposits				
Call Investment deposits consist out of the following accounts				
<u>Institution</u>	<u>Account type</u>	<u>Account number</u>		
ABSA	Call Deposit	9168089016	3 854 013	3 668 985
ABSA	Call Deposit	9095609301	107 278	102 169
ABSA	32 Day Notice	2066033895	478 094	447 442
ABSA	Call Deposit	9211543694	1 083 281	1 031 049
FNB	Call Deposit	62040125876	113 195	19 011
FNB	Call Deposit	62073369607	108 913	104 871
FNB	32 Day Notice	74113055145	1 359 514	1 295 489
FNB	Call Deposit	62052337865	179 719	170 538
FNB	32 Day Notice	74113056383	778 171	741 524
FNB	Call Deposit	62057568259	102 414	98 802
FNB	Call Deposit	62057566716	3 636	3 204
FNB	Call Deposit	62058985288	148 553	142 972
FNB	Call Deposit	62056520416	421 670	406 151
FNB	Call Deposit	62069107590	937 676	905 157
FNB	Call Deposit	62069108085	1 207	1 195
FNB	Call Deposit	62086424703	3 628	3 557
FNB	Call Deposit	62086421048	173 109	165 117
GBS Mutual	32 Day Notice	2250600058	4 415 950	4 120 096
GBS Mutual	32 Day Notice	2250600047	887 086	827 655
GBS Mutual	32 Day Notice	3059700053	106 760	99 692
GBS Mutual	32 Day Notice	3059700042	147 247	137 382
Investec	Call Deposit	1400-190369-500	16 563 866	19 535 406
Nedbank	Call Deposit	03/7881065141/000001	13 442 290	12 601 382
Standard Bank	32 Day Notice	088816214-002	11 307 978	10 629 425
Standard Bank	Call Account	088822370-001	4 097 938	6 768 271
Standard Bank	Call Deposit	088805662-002	2 232 556	2 120 088
Standard Bank	Call Deposit	088812723-001	1 044 832	993 037
			64 100 573	67 139 665

23 PROPERTY RATES

<u>Actual</u>				
Rateable Land and Buildings			23 559 143	32 617 909
Less: Rebates			(3 180 465)	(5 113 390)
Total Assessment Rates			20 378 678	27 504 519

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

<u>Valuations - 1 JULY 2009</u>	Location	2010 R	2009 R
Rateable Land and Buildings		9 161 539 500	3 497 411 243
Church	Grahamstown	-	28 682 450
Not registered	Grahamstown	-	3 372 500
Residential	Grahamstown	4 242 503 000	419 800
Transnet Right of Way	Grahamstown	-	1 036 066
Rhodes University	Grahamstown	11 399 500	393 959 133
Government - Residential	Grahamstown	300 189 000	22 483 000
Private Schools	Grahamstown	532 438 500	93 122 260
Residential	Grahamstown	-	1 584 259 065
Municipal	Grahamstown	113 756 000	87 495 340
Municipal Business	Grahamstown	-	2 039 200
Government - Business	Grahamstown	-	441 679 430
Transnet Business	Grahamstown	-	2 409 200
Business	Grahamstown	665 586 500	388 943 294
Agriculture	Grahamstown	12 829 500	-
Industrial	Grahamstown	152 817 000	-
Public Service Infrastructure	Grahamstown	23 950 000	-
RDP	Grahamstown	204 121 500	-
Exempt - PBO	Grahamstown	149 428 500	-
Exempt - POS	Grahamstown	21 589 000	-
Exempt - RIP	Grahamstown	1 164 500	-
Exempt - Sport	Grahamstown	18 901 000	-
Church	Alicedale	-	1 204 350
Residential	Alicedale	247 585 000	100 064 570
Municipal	Alicedale	-	5 350 770
Government - Business	Alicedale	816 000	4 133 250
Transnet Right of Way	Alicedale	-	283 500
Business	Alicedale	16 145 500	5 051 600
Business	Alicedale	2 304 000	-
Industrial	Alicedale	3 019 500	-
Inst	Alicedale	2 272 000	-
Public Service Infrastructure	Alicedale	2 519 500	-
Tourism	Alicedale	1 181 000	-
Exempt - PBO	Alicedale	350 500	-
Exempt - POS	Alicedale	29 500	-
Exempt - RIP	Alicedale	900 000	-
Residential	Riebeek - East	78 116 000	4 885 400
Church	Riebeek - East	2 774 500	4 500
Municipal	Riebeek - East	492 500	709 210
Government - Business	Riebeek - East	3 621 500	512 500
Business	Riebeek - East	492 500	-
Agriculture	Riebeek - East	1 044 000	-
Exempt - RIP	Riebeek - East	4 500	-
School	Riebeek - East	261 000	-
Church	Farms (Rural Areas)	-	2 980 500
Transnet Right of Way	Farms (Rural Areas)	-	289 700
Farming - Game	Farms (Rural Areas)	610 485 500	223 761 000
Tourism	Farms (Rural Areas)	424 539 000	-
Farming - Domestic	Farms (Rural Areas)	1 192 683 000	38 411 655
Rural Club	Farms (Rural Areas)	-	2 013 000
Farm Schools	Farms (Rural Areas)	100 000	170 000
Industrial	Farms (Rural Areas)	4 461 000	-
Nature Reserve	Farms (Rural Areas)	-	14 750 000
Business	Farms (Rural Areas)	2 000 000	6 917 500
Municipal	Farms (Rural Areas)	11 915 500	5 618 000
Public Service Infrastructure	Farms (Rural Areas)	360 500	-
Government - Business	Farms (Rural Areas)	85 840 000	30 399 500
Exempt - PBO	Farms (Rural Areas)	1 478 500	-
Church	Sidbury	834 000	-
Residential	Sidbury	16 500	-
Tourism	Sidbury	12 223 500	-
Total Assessment Rates		9 161 539 500	3 497 411 243

New valuations came into effect in the current year, resulting in material changes to the classification of rateable land and buildings in the current year.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Properties used for domestic purposes and consisting of both land and improvements are subject to a R15 000 valuation reduction. There are also different rebates and phased in tariffs for different sectors of the community. Interest on arrear accounts is charged at bank rate plus one.

Rates are levied monthly and annually. Monthly rates are payable by the 7th of the following month. Annual rates are payable before 30 September each year. Interest is levied at the prime rate on outstanding monthly and annual balances.

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
24 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	40 900 665	33 999 570
Equitable Share	40 900 665	33 999 570
Conditional Grants	67 149 931	31 453 344
Grants and Donations	60 822 191	25 856 993
Subsidies	6 327 740	5 596 351
Total Government Grants and Subsidies	108 050 597	65 452 914
Government Grants and Subsidies - Capital	57 475 113	23 202 070
Government Grants and Subsidies - Operating	50 575 483	42 250 844
	108 050 597	65 452 914
The municipality does not expect any significant changes to the level of grants		
24.1 Equitable share		
Opening balance	-	-
Grants received	40 900 665	33 999 570
Conditions met - Operating	(40 900 665)	(33 999 570)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
24.2 Health Subsidies		
Opening balance	-	-
Grants received	6 327 740	5 596 351
Conditions met - Operating	(6 327 740)	(5 596 351)
Conditions still to be met/(Grant expenditure to be recovered)	-	-
Health subsidies were used to fund primary and environmental health care services in the municipal area.		
24.3 Finance Management Grant (FMG)		
Opening balance	480 829	1 115 140
Grants received	1 000 000	500 000
Conditions met - Operating	(1 441 029)	(1 080 035)
Conditions met - Capital	(39 800)	(54 276)
Conditions still to be met/(Grant expenditure to be recovered)	0	480 829
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).		
24.4 Municipal Systems Improvement Grant (MSIG)		
Opening balance	32 610	57 418
Grants received	735 000	400 000
Conditions met - Operating	(508 895)	(187 825)
Conditions met - Capital	(70 573)	(236 983)
Conditions still to be met/(Grant expenditure to be recovered)	188 142	32 610
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.		
24.5 Capital Grants		
Opening balance	36 671 622	18 143 083
Correction of error - refer note 34.7		(36 630)
Grants received	56 076 672	39 952 254
Conditions met - Operating	(430 768)	-
Conditions met - Capital	(57 364 740)	(21 387 085)
Conditions still to be met/(Grant expenditure to be recovered)	34 952 785	36 671 622
These funds consist of Municipal Infrastructure Grants, National Electrification Grants and Neighbourhood Development Partnership Grants and is used primarily for the upgrading of infrastructure (eg sewer, water, roads and electricity network) in the municipal area.		

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
24.6 Housing Grants		
Opening balance	4 575 776	4 226 491
Correction of error - refer note 34.7		36 630
Grants received	-	480 248
Interest received	230 000	396 493
Conditions met - Operating	-	(564 087)
Conditions still to be met/(Grant expenditure to be recovered);	<u>4 805 776</u>	<u>4 575 776</u>

Housing grants was utilised for the development of erven and the erection of top structures.

24.7 Other Grants		
Opening balance	3 673 805	5 107 797
Correction of error - refer note 34.7		149 901
Grants received	1 240 872	762 811
Conditions met - Operating	(966 386)	(822 976)
Conditions met - Capital	-	(1 523 727)
Conditions still to be met/(Grant expenditure to be recovered);	<u>3 948 292</u>	<u>3 673 805</u>

Various grants were received from other spheres of government (eg. Cacadu Public Viewing Area Grant, Department of Water and Forestry)

24.8 Total Grants		
Opening balance	45 434 642	28 649 929
Correction of error - refer note 34.7		149 901
Grants received	106 280 949	81 691 234
Interest received	230 000	396 493
Conditions met - Operating	(50 575 483)	(42 250 844)
Conditions met - Capital	(57 475 113)	(23 202 070)
Conditions still to be met - Refer to note 10	<u>43 894 995</u>	<u>45 434 642</u>

The municipality does not expect any significant changes to the level of grants

25 SERVICE CHARGES

Electricity	74 251 797	48 845 490
Service Charges	<u>75 702 234</u>	<u>49 813 873</u>
Rebate - Electricity	<u>(1 450 437)</u>	<u>(968 383)</u>
Water	23 826 577	20 036 428
Service Charges	<u>30 833 082</u>	<u>27 930 699</u>
Rebate - Water	<u>(7 006 505)</u>	<u>(7 894 271)</u>
Refuse removal	3 824 358	3 254 844
Service Charges	<u>6 659 162</u>	<u>6 101 179</u>
Rebate - Refuse Removal	<u>(2 834 804)</u>	<u>(2 846 335)</u>
Sewerage and Sanitation Charges	10 498 182	8 945 964
Service Charges	<u>14 137 120</u>	<u>12 815 026</u>
Rebate - Sewerage and Sanitation Charges	<u>(3 638 938)</u>	<u>(3 869 063)</u>
Other Service Charges	134 219	152 566
Total Service Charges	<u><u>112 535 133</u></u>	<u><u>81 235 292</u></u>

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

26 OTHER REVENUE

Admin fees	342 592	223 370
Fees building plans	416 425	385 790
Sale of refuse bags	24 701	10 784
Fire brigade charges	4 376 080	258
Sundries	548 227	434 091
Total	<u><u>5 708 026</u></u>	<u><u>1 054 293</u></u>

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

27		2010 R	2009 R
	EMPLOYEE RELATED COSTS		
	Employee Related Costs - Salaries and Wages	61 853 748	55 472 112
	Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	13 348 457	11 670 740
	Travel, Motor Car, Accommodation, Subsistence and Other Allowances	1 807 227	1 454 345
	Housing Benefits and Allowances	443 217	430 304
	Post Employment Health	3 841 952	4 433 589
	Bonuses	544 134	636 766
	Provision for leave	(275 650)	3 820 853
		<hr/>	<hr/>
	Transfer of reversal for staff leave to income	81 563 085	77 918 709
		275 650	-
	Total Employee Related Costs	81 838 735	77 918 709
		<hr/> <hr/>	<hr/> <hr/>
	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.		
	REMUNERATION OF KEY MANAGEMENT PERSONNEL		
	Remuneration of the Municipal Manager		
	Annual Remuneration	766 888	564 517
	Traveling Allowance	133 329	101 114
	Telephone Allowance	12 123	9 025
	Contributions to UIF, Medical and Pension Funds	1 497	1 248
	Total	913 837	675 904
		<hr/> <hr/>	<hr/> <hr/>
	Remuneration of the Director: Finance		
	Annual Remuneration	475 309	433 661
	Traveling Allowance	109 084	99 514
	Telephone allowance	9 102	8 130
	Performance Bonus	-	45 600
	Contributions to UIF, Medical and Pension Funds	1 497	1 497
	Total	594 992	588 402
		<hr/> <hr/>	<hr/> <hr/>
	Remuneration of Director : Corporate Services		
	Annual Remuneration	485 237	442 883
	Traveling Allowance	60 304	57 578
	Telephone allowance	7 285	6 498
	Performance Bonus	-	45 600
	Contributions to UIF, Medical and Pension Funds	1 497	1 497
	Entertainment Allowance	-	4 626
	Acting. Allowance	-	33 451
	Housing Subsidy	40 290	-
	Total	594 612	592 133
		<hr/> <hr/>	<hr/> <hr/>
	Remuneration of Director : Community and Social Services		
	Annual Remuneration	579 394	511 720
	Traveling Allowance	109 084	107 992
	Telephone allowance	9 102	8 130
	Performance Bonus	-	41 800
	Contributions to UIF, Medical and Pension Funds	1 497	1 497
	Total	699 077	671 139
		<hr/> <hr/>	<hr/> <hr/>
	Remuneration of Director : Technical and Infrastructure Services		
	Annual Remuneration	577 081	511 720
	Traveling Allowance	109 084	110 065
	Telephone allowance	9 102	8 130
	Performance Bonus	-	45 600
	Contributions to UIF, Medical and Pension Funds	1 497	1 497
	Total	696 764	677 013
		<hr/> <hr/>	<hr/> <hr/>
	Remuneration of Director : Local and Economic Development (1)		
	Traveling Allowance	-	1 128
	Performance Bonus	-	38 000
	Leave Pay	-	37 290
	Contributions to UIF, Medical and Pension Funds	-	125
	Total	-	76 542
		<hr/> <hr/>	<hr/> <hr/>

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Remuneration of Director : Local and Economic Development (2)		
Annual Remuneration	579 393	383 778
Traveling Allowance	109 085	75 858
Telephone allowance	9 102	6 102
Contributions to UIF, Medical and Pension Funds	1 497	1 123
Total	699 077	466 861
28 REMUNERATION OF COUNCILLORS		
Councillors	3 740 473	3 946 884
Travelling allowance	2 287 123	1 263 432
Telephone allowance	278 790	219 652
UIF Contributions	36 293	33 397
Total Councillors' Remuneration	6 342 680	5 463 365
In-kind Benefits		
<p>The Executive Mayor and Executive Mayoral Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor may utilise official Council transportation when engaged in official duties.</p>		
Certification by the Municipal Manager		
<p>I certify that the remuneration of Councillors and in-kind benefits 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.</p>		
<p>..... Signed: Municipal Manager</p>		
29 DEBT IMPAIRMENT		
Trade Receivables from exchange transactions - Note 19	18 473 960	11 996 246
Trade Receivables from non-exchange transactions - Note 20	3 463 871	18 888 288
Total Contribution to Impairment Provisor	21 937 831	30 884 534
30 FINANCE CHARGES	2010	2009
	R	R
Long-term Liabilities	255 455	315 160
Balance previously reported		315 527
Correction of error - Refer note 35		(367)
Bank overdraft	14 320	45 235
Total finance charges	269 774	360 395
31 BULK PURCHASES		
Electricity	37 496 040	28 153 867
Water	11 813	18 466
Total Bulk Purchases	37 507 853	28 172 334
32 GRANTS AND SUBSIDIES PAID		
Grants-in-aid and Donations	3 420	3 120
Makana Tourism	464 500	422 280
Total Grants and Subsidies	467 920	425 400

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
33 GENERAL EXPENSES		
Administration charges	271 220	179 107
Advertising	1 594 540	1 402 796
Audit Fees	2 734 427	1 591 469
Bank Charges	339 282	232 238
Chemicals	1 580 970	1 131 979
Cleaning Materials	213 731	105 863
Commissions paid	119 434	191 457
Conference Expenditure	1 522 907	1 116 590
Connection to properties	436 287	593 319
Corporate Branding	579 885	237 756
Electricity: Street Lights	799 417	669 028
Fuel Cost	2 607 809	3 043 613
MIG Project management charges	430 768	-
Interview expenses	97 258	92 770
Insurance	1 228 738	1 136 519
Legal Charges	1 495 131	1 154 917
Licence cards	145 115	143 822
Licences	58 194	162 345
Materials and stores	915 617	568 525
Newsletter	301 080	142 512
Postage	670 925	606 757
Power Complaints	128 773	181 433
Project expenditure from own funds	805 330	1 278 460
Protective Clothing	405 273	255 141
Publications and subscriptions	571 084	369 179
Purchases: Refuse Bags	973 736	524 341
Relocation expenses	148 410	219 899
Rental expenses	585 851	247 822
Security Cost	519 446	478 588
Services	5 747 266	4 194 336
Street Signs and Notices	447 543	414 583
Survey Fees	103 523	256 187
Telephone	1 525 677	1 524 912
Training	433 802	296 080
Travel and subsistence	224 288	177 208
Valuation cost	2 797 730	-
Uniforms	153 738	145 819
Other	1 947 599	2 301 037
General Expenses	<u>35 661 805</u>	<u>27 368 406</u>
		2009
		R
34 CORRECTION OF ERROR IN TERMS OF GRAP 3		
34.1 Long term liabilities		
Correction of finance charges incorrectly not recognised in surplus on 30 June 2008 - Refer note 3		(566)
Correction of split between interest and capital for 2008/2009 - Refer note 3 and 3f		(367)
Total		<u>(933)</u>
34.2 Current Employee benefits		
Correction of staff leave on 30 June 2009 - Refer note 35		(375 373)
Total		<u>(375 373)</u>
34.3 Non-Current Investments		
Reallocation of accrued interest to receivables - Refer note 34.5		(87 051)
Reallocation of long term deposits to Non-Current investments - Refer note 34.4		9 399 847
Total		<u>9 312 797</u>

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2009 R
34.4 Cash and Cash Equivalents	
Reallocation of accrued interest to receivables - Refer note 34.9	(706 846)
Reallocation of long term deposits to Non-Current investments - Refer note 34.3	(9 399 847)
Correction of bank charges for 2008/2009- Refer note 35	(43 718)
Correction of commissions paid for 2008/2009- Refer note 35	(5 319)
Correction of bank charges prior to 30 June 2008- Refer note 34.9	(1 193)
Correction of traffic income - Refer note 35	135 267
Correction of bank balance on 30 June 2008 - Refer note 34.9	4 696 631
Withdrawal on call investment incorrectly recognised on primary bank account	-
- Effect on primary bank account	30 925
- Effect on call investment deposit	(30 925)
Total	<u><u>(5 325 027)</u></u>
34.5 Other Receivables from non-exchange transactions	
Reallocation of accrued interest from non-current investments - Refer note 34.3	87 051
Reallocation of accrued interest from cash and cash equivalents - Refer note 34.4	706 846
Over payment of VAT recognised as income on 30 June 2008 - Refer note 34.9	333 520
Total	<u><u>1 127 417</u></u>
34.6 Trade Receivables from exchange transactions	
Write off of old balances - Refer note 34.9	(186 356)
Total	<u><u>(186 356)</u></u>
34.7 Unspent/(Unpaid) Government grants and subsidies	
Reallocation of outfall sewer expenditure to vote where funding was received on.	1 281 841
Reallocation of outfall sewer expenditure from vote where where expenditure was incurred	(1 281 841)
Reallocation of Victoria Road funds to correct vote	(36 500)
Reallocation of Victoria Roads funds from capital vote	36 500
Reallocation of over expenditure (maintenance) on sport grant to surplus - refer note 35	246
Interest incorrectly not allocated to Alicedale Tourism Fund in 2008/2009 - Refer note 35	75 797
Interest incorrectly not allocated to Alicedale Tourism Fund prior to 30 June 2008 - Refer note 34.9	73 858
Total	<u><u>149 901</u></u>
34.8 Trade and other payables	
Creditors not recognised on 30 June 2008 - refer note 34.9	252 115
Write off of old balances - Refer note 34.9	(1 837 181)
Total	<u><u>(1 585 066)</u></u>
34.9 Accumulated Surplus/(Deficit)	
Correction of finance charges incorrectly not recognised in surplus on 30 June 2008 - Refer note 34.1	566
Interest incorrectly not allocated to Alicedale Tourism Fund prior to 30 June 2008 - Refer note 34.7	(73 858)
Creditors not recognised on 30 June 2008 - refer note	(252 115)
Over payment of VAT recognised as income on 30 June 2008 - Refer note 34.5	333 520
Correction of bank charges prior to 30 June 2008- Refer note 34.4	(1 193)
Write off of old balances - Refer note 34.6	(186 356)
Write off of old balances - Refer note 34.8	1 837 181
Correction of bank balance on 30 June 2008 - Refer note 34.4	4 696 631
Total	<u><u>6 354 376</u></u>

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2009	
		R	
35	CHANGES TO STATEMENT OF FINANCIAL PERFORMANCE		
	Balance previously reported		18 771 443
	Correction of split between interest and capital for 2008/2009 - Refer note 34.1 and 3f		367
	Professional fees incorrectly recognised as general expenditure - transfer to contracted services		354 939
	Professional fees incorrectly recognised as general expenditure - transfer from general expenditure		(354 939)
	Skills development levy incorrectly recognised as an operating grant expenditure - Transfer to employee related cos		1 495
	Skills development levy incorrectly recognised as an operating grant expenditure - Transfer from operating grant expenditure. Refer note 27		(1 495)
	Reallocation of over expenditure (maintenance) on sport grant to surplus - refer note 34.7		(246)
	Interest incorrectly not allocated to Alicedale Tourism Fund in 2008/2009 - Refer note 34.7		(75 797)
	Correction of staff leave on 30 June 2009 - Refer note 34.2		375 373
	Operating grant expenditure incorrectly classified as grants and subsidies paid - Transfer to operating grant expenditure		564 087
	Operating grant expenditure incorrectly classified as grants and subsidies paid - Transfer from operating grants and subsidies paid		(564 087)
	Reallocation of PABX Quaterly maintenance charge - Transfer to repairs and maintenance		118 486
	Reallocation of PABX Quaterly maintenance charge - Transfer from general expenses		(118 486)
	Correction of bank charges - Refer note 34.4		(43 445)
	Correction commisions paid - Refer note 34.4		(5 319)
	Correction of traffic fine income - Refer note 34.4		135 267
	Total		19 157 642
		2010	2009
		R	R
36	RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
	Surplus/(Deficit) for the year	67 049 969	19 157 642
	Adjustments for:		
	(Gain)/Loss on disposal of property, plant and equipment	(117 775)	140 314
	Impairments - Stock Adjustments	1 829 506	(1 182 973)
	Contribution from/to employee benefits - non-current	4 386 086	5 070 355
	Contribution from/to employee benefits - non-current - expenditure incurred	(1 501 006)	(1 379 941)
	Contribution from/to employee benefits - non-current - actuarial gain	(604 231)	(1 938 867)
	Contribution to employee benefits – current	281 778	3 896 707
	Contribution to employee benefits – current - expenditure incurred	(860 229)	(856 131)
	Contribution to provisions – Bad debt	21 937 831	30 884 534
	Bad debts written off	(22 532 758)	221 219
	Operating lease expenses accrued	1 857	(3 881)
	Investment income	(5 184 983)	(7 582 984)
	Interest paid	269 774	360 395
	Operating Surplus/(Deficit) before changes in working capita	64 955 819	46 786 389
	Changes in working capital	(11 651 727)	(11 358 010)
	Increase/(Decrease) in Trade and Other Payables	3 080 829	(1 155 998)
	Increase/(Decrease) in Unspent Conditional Government Grants and Receipts	(1 433 527)	16 335 189
	(Increase)/Decrease in Unpaid Conditional Government Grants and Receipts	(106 120)	375 667
	Increase/(Decrease) in Taxes	1 431 368	959 520
	(Increase)/Decrease in Inventory	(1 425 606)	(1 010 663)
	(Increase)/Decrease in Trade Receivables from exchange transactions	(14 166 020)	(21 367 063)
	(Increase)/Decrease in Other Receivables from non-exchange transactions	967 350	(5 494 662)
	Cash generated/(absorbed) by operations	53 304 092	35 428 379
37	CASH AND CASH EQUIVALENTS		
	Cash and cash equivalents included in the cash flow statement comprise the following:		
	Call Investments Deposits - Note 22	64 100 573	67 139 665
	Cash Floats - Note 22	7 293	7 293
	Bank overdraft - Note 22	(9 795 496)	(7 524 969)
	Total cash and cash equivalents	54 312 369	59 621 988

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
38 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 37	54 312 369	59 621 988
Investments - Note 16	11 271 249	10 459 581
	<u>65 583 619</u>	<u>70 081 569</u>
Less:	56 027 719	56 135 998
Unspent Committed Conditional Grants - Note 10	43 894 995	45 434 642
Unspent Borrowings - Note 39	-	-
VAT - Note 11	11 971 246	10 539 879
Secured Investments	161 477	161 477
Resources available for working capital requirements	<u>9 555 900</u>	<u>13 945 571</u>

39 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 3	2 481 845	3 256 944
Used to finance property, plant and equipment - at cos:	(2 481 845)	(3 256 944)
	<u>-</u>	<u>-</u>
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	<u>-</u>	<u>-</u>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

40 BUDGET COMPARISONS

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
40.1 Operational				
Revenue by source				
Property taxes	20 378 678	29 046 270	(8 667 592)	-30%
Government Grants and Subsidies - Capital	57 475 113	-	57 475 113	100%
Government Grants and Subsidies - Operating	50 575 483	50 801 510	(226 027)	0%
Actuarial Gains	604 231	-	604 231	100%
Third Party Payments	13 612	-	13 612	100%
Fines	1 499 529	1 232 610	266 919	22%
Service Charges	112 535 133	99 556 490	12 978 643	13%
Rental of Facilities and Equipment	990 340	936 730	53 610	6%
Interest Earned - external investments	5 184 983	5 700 000	(515 017)	-9%
Interest Earned - outstanding debtors	8 036 322	5 000 000	3 036 322	61%
Licences and Permits	2 332 107	1 936 790	395 317	20%
Agency Services	486 128	578 250	(92 122)	-16%
Other Revenue	5 708 026	1 081 840	4 626 186	428%
	<u>265 819 686</u>	<u>195 870 490</u>	<u>69 949 196</u>	<u>36%</u>
Expenditure by nature				
Employee Related Costs	81 838 735	85 012 790	(3 174 055)	-4%
Remuneration of Councillors	6 342 680	6 276 100	66 580	1%
Debt Impairment	21 937 831	17 445 720	4 492 111	26%
Depreciation and Amortisation	-	4 037 510	(4 037 510)	-100%
Repairs and Maintenance	9 869 996	10 180 723	(310 727)	-3%
Finance Charges	269 774	10 000	259 774	2598%
Bulk Purchases	37 507 853	38 505 530	(997 677)	-3%
Contracted services	394 426	775 000	(380 574)	-49%
Grants and Subsidies Paid	467 920	544 500	(76 580)	-14%
Stock Adjustments	1 829 506	-	1 829 506	100%
Other Operating Grant Expenditure	3 042 617	2 849 370	193 247	7%
General Expenses	35 661 805	30 233 187	5 428 617	18%
	<u>199 163 142</u>	<u>195 870 430</u>	<u>3 292 712</u>	<u>2%</u>
Other Gains/Losses				
Loss on disposal of Property, Plant and Equipment	-	(60)	60	-100%
Gain on disposal of Property, Plant & Equipment	117 775	-	117 775	100%
	<u>117 775</u>	<u>(60)</u>	<u>117 835</u>	
Net Surplus for the year	<u>66 774 319</u>	<u>-</u>	<u>73 359 743</u>	<u>100%</u>

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Details of material variances

Government Grants and Subsidies - Capital

Not budgeted for income in respect of capital government grants and subsidies as required by GRAP.

Property taxes and service charges

Allocation error between budgeted figures for service charges and property taxes. This resulted in service charges exceeding the budgeted figure with a material amount with a material shortage on property rates.

Actuarial Gains

Not budgeted for actuarial gains as required by GRAP.

Interest Earned - outstanding debtors

The situation results from the increasing rate of non-payment for municipal services, which also include the arrear debt for government departments.

Other Revenue

Difference mainly due to unexpected increase in fire brigade services. A drought in the area necessitated the use of the fire brigade to distribute water within the community.

Debt Impairment

The provision for bad debts was reviewed at the end of the financial year and increased by R4.5m based on the results of the review.

Depreciation and amortisation

Depreciation and amortisation was budgeted for in line with GRAP. Due to the advantages taken in accordance with Directive 4 and the policy of the Auditor General in the Eastern Cape no depreciation and amortisation was recognised in the financial statements

Finance Charges

No budget allocated for finance charges on long term liabilities. Budgeting not in line with GRAP.

Stock adjustments

Stock adjustment only identified at year-end and thus there was no budgeted figure for these losses.

	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
40.2 Expenditure by Vote				
Executive and Council	7 587 685	8 855 830	(1 268 145)	-14%
Corporate Services	10 896 490	10 837 540	58 950	1%
Financial Services	54 607 184	48 847 580	5 759 604	12%
Community Services	19 768 260	21 825 100	(2 056 840)	-9%
Planning & Building Services	4 253 811	4 037 740	216 071	5%
Electrical Services	58 775 344	57 745 020	1 030 324	2%
Technical Services	56 844 554	58 700 540	(1 855 986)	-3%
Less Inter-Departmental Charges	(13 963 613)	(14 978 860)	1 015 247	-7%
	198 769 715	195 870 490	2 899 225	1%

Details of material variances

Executive and Council

The savings resulted amongst others from the implementation of the "Upper Limits Gazette" which were lower than anticipated.

Financial Services

Over expenditure mainly due to the property valuation cost of about R 3m that was not budgeted for, and also an adjustment made at year-end against provision for bad debts.

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

40.3	Capital expenditure by vote	2010 R (Actual)	2010 R (Budget)	2010 R (Variance)	2010 (%)
	Executive and Council	170 887	200 000	29 113	15%
	Corporate Services	624 963	734 000	109 037	15%
	Financial Services	916 150	392 050	(524 100)	-134%
	Community Services	5 888 950	5 829 400	(59 550)	-1%
	Planning & Building Services	241 545	411 800	170 255	41%
	Technical Services	54 519 936	59 032 300	4 512 364	8%
		62 362 430	66 599 550	4 237 120	6%

Details of material variances

Executive and Council

Resulting from re-directed savings.

Corporate Services

Acquisition of second hand cars instead of new, amongst others.

Financial Services

Establishment of Server Rooms and acquisition of chairs for City Hall.

Planning & Building Services

GIS not purchased

41 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

41.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	59 260 368	-
Unauthorised expenditure current year - capita	6 856 531	4 775 207
Unauthorised expenditure current year - operating	7 064 949	54 485 161
Approved by Council or condoned	(59 260 368)	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	13 921 480	59 260 368

Incident	Disciplinary steps/criminal proceedings
<i>Over expenditure on votes</i>	<i>The 2008/09 amount was reported to Council for condonation and also in the Audit Action Plan.</i>

41.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

	2010 R	2009 R
Opening balance	137 381	-
Fruitless and wasteful expenditure current year	94 721	137 381
Electricity and Water Losses above threshold	2 507 196	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned Cllr Simakuhle's car rental matter - Council June 2009	(11 324)	-
Possible Insurance Claim of R20 000 reported in 2008/09 never materialised	(20 000)	-
Fruitless and wasteful expenditure awaiting condonement	2 707 975	137 381

NB: Matters under investigation for 2008/09 = (i) Neville, Borman and Botha case = R65 822 and (ii) Overpaid Salaries to two Employees = R40 23€

Incident	Disciplinary steps/criminal proceedings	2010 R
<i>Net Opening Balance</i>	<i>None</i>	106 058
<i>Salaries paid to deceased and resigned</i>	<i>None</i>	74 406
<i>Electricity and Water losses in distribution</i>	<i>None</i>	2 507 196
<i>Interest paid on bank overdraft</i>	<i>None</i>	14 320
<i>Overpayment of leave payout</i>	<i>None</i>	5 996
		2 707 975

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
41.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	-	-
Irregular expenditure current year	1 020 499	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
	<u>1 020 499</u>	<u>-</u>
Irregular expenditure awaiting condonement	<u>1 020 499</u>	<u>-</u>
Incident	Disciplinary steps/criminal proceedings	
<i>IT Solution - No formal tender procedure followed. Appointment based on a month to month renewal letter</i>	<i>In the process of going out on tender in the 2010/11 financial year.</i>	462 261 -
<i>Sure go Travel - Business conducted without a service level agreement being in place</i>	<i>Calls for proposals have already been advertised and processes should be completed during the second quarter of 2010/11 financial year.</i>	558 238 -
	<u>1 020 499</u>	<u>-</u>

41.4 Material Losses

The following statistical information indicates losses in distribution for water and electricity. It must be indicated that reasons for the losses vary, and include technical as well as administrative losses. During 2008/09 financial year the Council resolved to establish a working committee to identify reasons for distribution losses and also provide recommended solutions. One challenge identified relates to the aging infrastructure and one of the solutions that is under discussion is the possibility of raising a loan, which requires stringent legal processes, to ensure sufficient resources to address the problem.

	2010 Units	2009 Units
Electricity distribution losses		
Units purchased	112 749 091	111 637 191
Units sold	81 564 364	86 517 922
Units lost in distribution	31 184 727	25 119 269
Percentage loss in distribution	28%	23%
Cost per KWh	0.1216	0.1216
Total Costs in Rand	R 3 792 063	R 3 054 503
Anything Greater than 10% transferred to Fruitless Expenditure	R 2 467 852	
Water distribution losses		
Kilolitres purified	20 438 318	4 331 909
Kilolitres sold	15 780 470	3 757 574
Kilolitres lost in distribution	4 657 848	574 335
Percentage loss in distribution	23%	13%
Cost per KWh	0.0175	0.0156
Total Costs in Rand	R 81 512	R 8 960
Anything Greater than 12% transferred to Fruitless Expenditure	R 39 344	
	<u>2010 R</u>	<u>2009 R</u>

42 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

42.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-	-
Council subscriptions	460 012	270 650
Amount paid - current year	(460 012)	(270 650)
Closing balance	<u>-</u>	<u>-</u>

42.2 Audit fees - [MFMA 125 (1)(b)]

Opening balance	-	-
Current year audit fee	2 734 427	1 426 552
External Audit - Auditor-General	2 239 832	1 159 880
Internal Audit	462 114	226 646
Audit Committee	32 482	40 027
Amount paid - current year	(2 734 427)	(1 426 552)
Closing balance	<u>-</u>	<u>-</u>

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
42.3 <u>VAT - [MFMA 125 (1)(b)]</u>		
Opening balance	615 789	218 221
Amounts received - current year	-	(1 287 226)
Amounts received - previous years	-	(218 221)
Amounts claimed - current year	4 010 038	1 903 015
Amounts paid - current year	1 688 254	1 248 969
Amounts payable - current year	(1 057 350)	(1 248 969)
Closing balance	5 256 731	615 789
Vat in suspense due to cash basis of accounting	(17 227 978)	(11 155 668)

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

All VAT returns have been submitted by the due date throughout the year

42.4 <u>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	9 261 485	7 968 470
Amount paid - current year	(9 261 485)	(7 968 470)
Closing balance	-	-

42.5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</u>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	18 106 992	16 416 599
Amount paid - current year	(18 106 992)	(16 416 599)
Closing balance	-	-

42.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]

The following Councillors had arrear accounts for more than 90 days as at 30 June 2010:

	Outstanding more than 90 days	Outstanding more than 90 days
Councillor VG Lwana	9 971	
Councillor JPT Veliti	-	1 211
Total Councillor Arrear Consumer Accounts	9 971	1 211

42.7 Non-Compliance with Supply Chain Management Regulation:

Non-compliance with the Supply Chain Management Regulations were identified on the following categories:

Total value of payment not made within 30 days as required by the MFMA	973 483	-
Total deviations from SCM policies and procedures	5 314 730	2 184 779
Schedules listing payments made to Creditors after 30 days on receipt of invoice and also deviations register i.t.o. the SCM Policy are available.		

42.8 Other possible non-compliance with policies and law

Letter from National Treasury forwarded to about 183 municipalities for allegedly failure in reporting Conditional Grant Spending i.t.o. DORA (letter dated 23 March 2010). The details of the letter and a correction letter are available in the audit file as well.

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
43	CAPITAL COMMITMENTS		
	Commitments in respect of capital expenditure		
	Approved and contracted for:	17 900 927	43 785 271
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
	Total commitments consist out of the following:		
	- Conversion of VIP's to waterborne sanitation in Lower Makanaskop	5 578 823	-
	- Construction of roads at Albert Road	4 034 558	-
	- Construction of bulk water supply at Seven Fountains	3 903 436	-
	- Construction of a clubhouse at the Joza cricket field	1 082 852	-
	- Sugar Loaf Project	961 652	19 342 279
	- Construction of 13 Highmast Lighting Towers	954 439	-
	- Mayfield bulk outfall sewer phase 2	819 217	-
	- Construction of Extension 6 sewer reticulation	565 949	-
	- Transit Camp (Construction of Civil Engineering Services)	-	4 724 946
	- Construction of a Community Hall in Ward 5	-	2 310 385
	- NDPG Projects (Sidewalks, Street Lights and Taxi Embayments)	-	17 407 661
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		17 900 927	43 785 271
	This expenditure will be financed from:		
	External Loans	-	-
	Government Grants	17 900 927	43 785 271
		<hr style="border-top: 1px solid black;"/>	<hr style="border-top: 1px solid black;"/>
		17 900 927	43 785 271

44 FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

0.5% (2009 - 0.5%) Increase in interest rates	315 472	314 142
0.5% (2009 - 1%) Decrease in interest rates	(315 472)	(628 284)

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables, long term receivables and unpaid conditional grants and subsidies.

Trade and other debtors are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours 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.

All rates and services are payable within 30 days from invoice date. Refer to note 19 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

No trade and other debtors are pledged as security for financial liabilities, other than rates payable by Rhodes University as disclosed in note 4. At year end the balance due to the municipality by Rhodes University amounted to R 0.00 (2009 - R 0.00)

Due to the short term nature of trade and other receivables the carrying value disclosed in notes 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

	2010 R	2009 R
The following balances were past due but not impaired		
Trade receivables from exchange transactions	48 632 248	35 403 152
Other receivables from non-exchange transactions	7 666 503	10 095 113
Security held in respect of trade and other receivables consist out of the following		
- Deposit - Water	1 444 693	407 473
- Deposit - Electricity	469 741	1 413 406
- Guarantees - Water	142 918	142 918
Long term receivables consist only out of staff car loans. The credit risk pertaining to long term receivables is considered to be low, as the instalments due to the municipality is deducted from each employees salary which significantly reduces the risk of the counter party default. The balance is unsecured. No debtor defaulted on their obligation in the current year and no terms were re-negotiated. Long term receivables are not pledged as collateral for any financial liabilities. Due to the immaterial nature of the outstanding balance the fact that the total balance due mainly consist out of amounts receivable within 1 year, the effect of the time value of money will not be considered. The value disclosed in the financial statement in respect of long term receivables agrees to its fair value.		
Ageing of long term liabilities		
Receivable within 1 year	5 934	11 189
Receivable between 1 and 2 years	-	-
	<u>5 934</u>	<u>11 189</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Financial assets exposed to credit risk at year end are as follows		
Trade receivables from exchange transactions (net of provision)	53 924 342	38 666 789
Other receivables from non-exchange transactions (net of provision)	9 597 236	11 061 192
Cash and Cash Equivalents	64 107 865	67 146 957
Long-term receivables	5 934	11 189
Unpaid conditional grants and subsidies	642 804	536 684
Non-Current Investments	11 271 249	10 459 581
	139 549 431	127 882 392

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The municipality did not default on any of their trade and other payables commitments during the period under review and no terms were re-negotiated.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2010				
Long Term liabilities	1 183 341	1 771 116	-	-
Capital repayments	902 658	1 579 187	-	-
Interest	280 683	191 929	-	-
Trade and Other Payables	13 439 923	-	-	-
Unspent conditional government grants and receipts	43 894 995	-	-	-
Bank Overdraft	9 795 496	-	-	-
	68 313 755	1 771 116	-	-
2009				
Long Term liabilities	1 213 566	2 891 212	-	-
Capital repayments	825 134	2 431 833	-	-
Interest	388 431	459 378	-	-
Trade and Other Payables	10 477 387	-	-	-
Unspent conditional government grants and receipts	45 971 326	-	-	-
Bank Overdraft	7 524 969	-	-	-
	65 187 247	2 891 212	-	-

45	FINANCIAL INSTRUMENTS		2010 R	2009 R
	In accordance with IAS 39.09 the financial instruments of the municipality are classified as follows:			
	The fair value of financial instruments approximates the amortised costs as reflected below.			
45.1	Financial Assets	Classification		
	Investments			
	Fixed Deposits	Held to maturity	11 271 249	10 459 581
	Long-term Receivables			
	Staff loans	Loans and receivables	-	-
	Consumer Debtors			
	Receivables from exchange transactions	Loans and receivables	131 279 201	38 666 789
	Receivables from non-exchange transactions	Loans and receivables	28 982 131	11 061 192
	Other Debtors			
	Unpaid government grants and subsidies	Loans and receivables	642 804	536 684

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
Current Portion of Long-term Receivables			
Staff loans	Loans and receivables	5 934	11 189
Short-term Investment Deposits			
Call Deposits	Held to maturity	64 100 573	67 139 665
Bank Balances and Cash			
Cash Floats and Advances	Held to maturity	7 293	7 293
		<u>236 289 184</u>	<u>127 882 392</u>
SUMMARY OF FINANCIAL ASSETS			
Held to maturity		75 379 115	77 606 538
Loans and receivables		160 910 069	50 275 854
		<u>236 289 184</u>	<u>127 882 392</u>
45 FINANCIAL INSTRUMENTS (CONTINUE)			
45.2 Financial Liability	Classification		
Long-term Liabilities			
Annuity Loans	At amortised cost	1 084 573	1 628 122
Capitalised Lease Liability	At amortised cost	494 614	803 697
Trade Payables			
Trade Payables	At amortised cost	1 799 431	1 629 974
Other Creditors	At amortised cost	10 969 767	8 102 759
Sundry Deposits	At amortised cost	670 724	744 654
Other payables			
Unspent government grants and subsidies	At amortised cost	44 537 799	45 971 326
Cash and cash equivalents			
Bank Overdraft	At amortised cost	9 795 496	7 524 969
Current Portion of Long-term Liabilities			
Annuity Loans	At amortised cost	543 549	475 266
Capitalised Lease Liability	At amortised cost	359 108	349 859
		<u>70 255 062</u>	<u>67 230 626</u>
SUMMARY OF FINANCIAL LIABILITY			
At amortised cost		<u>70 255 062</u>	<u>67 230 626</u>
46 EVENTS AFTER THE REPORTING DATE			
The municipality has no events after reporting date during the financial year ended 2009/2010.			
47 IN-KIND DONATIONS AND ASSISTANCE			
The municipality did not receive any in-kind donations or assistance during the year under review.			
48 PRIVATE PUBLIC PARTNERSHIPS			
Council has not entered into any private public partnerships during the financial year.			
49 CONTINGENT LIABILITY			
Performance bonuses		303 200	299 020
Claims against Council		8 744 049	4 006 194
		<u>9 047 249</u>	<u>4 305 214</u>
The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions. The following are the estimates:			
Breach of contract claim by a contractor - the municipality disputes this claim		3 626 194	3 626 194
Liability for damages allegedly resulting from overflowing conservancy tank in Alicedale		300 000	300 000
Liability for damages allegedly caused by powerlines collapsing onto telephone line:		56 000	56 000
Liability for damages allegedly caused by faulty electrical apparatus:		24 000	24 000
SALA Pension fund - Increases in contributions without consultation with municipality		398 473	-
Cape Joint Pension Fund - Potential liability due to shortfall on fund		1 116 382	-
John B Scott Attorney's - Accident through Grahamstown towards N2		153 000	
Divan Bellingham Anglo Africa Street Clinic		70 000	
P. Naidoo		3 000 000	
		<u>8 744 049</u>	<u>4 006 194</u>

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

50 RELATED PARTIES

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

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

50.1 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date, together with the conditions, are disclosed in note 17 to the Annual Financial Statements.

50.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 27 to the Annual Financial Statements

50.3 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest

None

51 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES

51.1 GRAP 19 - Provisions, contingent liabilities and contingent Asset:

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure provisions, contingent liabilities or contingent assets relating to Refuse tip-sites.

The municipality is currently in a process of measuring all provisions which must be measured in terms of GRAP 19 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

51.2 GRAP 100 - Non-current assets and discontinued operation:

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure non-current assets held for sale and discontinued operations relating to Inventories, Investment Properties, Property, Plant and Equipment, Agriculture and Intangible Assets which are not measured in terms of the transitional provisions relating to those standards.

51.3 GRAP 16 - Investment Properties

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Investment Properties.

The municipality is currently in the process of measuring all Investment Properties and have valued them in terms of GRAP 16 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following Investment Properties were measured at fair value in accordance with GRAP 16 and restated retrospectively:

Land with undetermined use;
Land;
Buildings; and
Land and Buildings.
Total not previously recognised now restated retrospectively

2010	2009
R	R

-	-
<u> </u>	<u> </u>

51.4 GRAP 102 - Intangible Assets

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Intangible Assets in accordance with the standard, including the following:

- * Computer Software;
- * Intangible assets financed by way of finance leases
- * Intangible assets transferred as a result of the transfer of functions; and
- * Servitudes.

The municipality is currently in the process of measuring all Intangible Assets and have it valued in terms of GRAP 102 and it is expected that this process will be completed for inclusion in the 2011 financial statements. It is possible that certain intangible assets are currently being recognised as Property, Plant and Equipment.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;
Accumulated amortisation on computer software

2010	2009
------	------

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Total not previously recognised now restated retrospectively

-	-
=	=

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

51.5 GRAP 12 - Inventories

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure the following inventories:

Land held for sale
Water Stock

The municipality is currently in the process of measuring all inventory which must be measured in terms of GRAP 12 and it is expected that this process will be completed for inclusion in the 2011 financial statements.

Since the previous reporting date the following inventories were measured in accordance with GRAP 12 and restated retrospectively:

Water;
Land held for sale; and
Other (list).

2010
R

2009
R

MAKANA MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2010

Reconciliation of Carrying Value	Cost			Closing Balance R	Carrying Value R
	Opening Balance R	Additions R	Disposals R		
Land and Buildings	25 962 225	429 177	-	26 391 402	26 391 402
Land	9 436 950	-	-	9 436 950	9 436 950
Buildings	16 525 275	429 177	-	16 954 452	16 954 452
Infrastructure	221 191 914	51 733 123	-	272 925 038	272 925 038
Main: Roads	43 925 551	22 801 398	-	66 726 948	66 726 948
Main: Waste Management	1 010 618	-	-	1 010 618	1 010 618
Main: Electricity	38 122 113	20 423 176	-	58 545 289	58 545 289
Main: Water	61 875 750	451 495	-	62 327 245	62 327 245
Sewerage Mains & Purify	75 063 038	8 057 055	-	83 120 093	83 120 093
Airfield	514 845	-	-	514 845	514 845
Tip Sites	680 000	-	-	680 000	680 000
Community Assets	1 922 122	4 690 162	-	6 612 284	6 612 284
Recreation Grounds	1 192 571	168 161	-	1 360 733	1 360 733
Community Centres	55 329	3 739 753	-	3 795 081	3 795 081
Cemetery	674 222	782 249	-	1 456 471	1 456 471
Lease Assets	1 967 096	59 205	-	2 026 301	2 026 301
Office Equipment	1 967 096	59 205	-	2 026 301	2 026 301
Other Assets	23 496 299	5 450 762	(203 693)	28 743 368	28 743 368
Motor Vehicles	9 028 299	1 856 876	(203 693)	10 681 483	10 681 483
Bicycles	2 388	-	-	2 388	2 388
Plant & Equipment	2 958 091	1 845 016	-	4 803 107	4 803 107
Office Equipment	981 221	564 329	-	1 545 550	1 545 550
Furniture & Fittings	2 342 881	831 035	-	3 173 916	3 173 916
Clinic Equipment	34 669	-	-	34 669	34 669
Computer Equipment	2 456 129	335 118	-	2 791 248	2 791 248
Specialised Vehicles	5 692 620	18 388	-	5 711 008	5 711 008
	274 539 656	62 362 430	(203 693)	336 698 393	336 698 393

30 JUNE 2009

Reconciliation of Carrying Value	Cost			Closing Balance R	Carrying Value R
	Opening Balance R	Additions R	Disposals R		
Land and Buildings	22 454 928	3 507 299	(2)	25 962 225	25 962 225
Land	9 436 952	-	(2)	9 436 950	9 436 950
Buildings	13 017 977	3 507 299	-	16 525 275	16 525 275
Infrastructure	194 588 258	26 603 656	-	221 191 914	221 191 914
Main: Roads	33 375 022	10 550 528	-	43 925 551	43 925 551
Main: Waste Management	-	1 010 618	-	1 010 618	1 010 618
Main: Electricity	34 449 054	3 673 059	-	38 122 113	38 122 113
Main: Water	56 246 374	5 629 376	-	61 875 750	61 875 750
Sewerage Mains & Purify	69 322 963	5 740 075	-	75 063 038	75 063 038
Airfield	514 845	-	-	514 845	514 845
Tip Sites	680 000	-	-	680 000	680 000
Community Assets	153 715	1 768 407	-	1 922 122	1 922 122
Recreation Grounds	8 665	1 183 906	-	1 192 571	1 192 571
Community Centres	55 329	-	-	55 329	55 329
Cemetery	89 722	584 500	-	674 222	674 222
Lease Assets	1 666 156	300 940	-	1 967 096	1 967 096
Office Equipment	1 666 156	300 940	-	1 967 096	1 967 096
Other Assets	18 291 147	5 516 899	(311 748)	23 496 299	23 496 299
Motor Vehicles	7 838 024	1 439 044	(248 768)	9 028 299	9 028 299
Bicycles	2 388	-	-	2 388	2 388
Plant & Equipment	2 161 851	796 240	-	2 958 091	2 958 091
Office Equipment	641 592	339 937	(308)	981 221	981 221
Furniture & Fittings	2 105 536	245 618	(8 274)	2 342 881	2 342 881
Clinic Equipment	34 669	-	-	34 669	34 669
Computer Equipment	1 971 980	538 548	(54 398)	2 456 129	2 456 129
Specialised Vehicles	3 535 108	2 157 513	-	5 692 620	5 692 620
	237 154 205	37 697 201	(311 750)	274 539 656	274 539 656

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13 PROPERTY, PLANT AND EQUIPMENT

No assets are pledged as security for any facilities of the municipality, except the assets acquired in terms of a finance lease as disclosed in Appendix A of the financial statements.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not measure all the Property, Plant and Equipment in accordance with the standard, including the following:

Land

Componentised infrastructure assets.

The municipality is currently in a process of measuring all Property, Plant and Equipment and have it valued in terms of GRAP 17 and it is expected that this process will be completed for inclusion in the 2011 financial statements. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2011. At present no depreciation calculated.

The municipality did not measure the following, in terms of the transitional provisions:

- 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.
- Review of residual values of item of PPE recognised in the annual financial statements.
- Impairment of non-cash generating assets.
- Impairment of cash generating assets.

**APPENDIX A - Unaudited
MAKANA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 JUNE 2009	Correction	Balance at 30 JUNE 2009 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2010
	%		R	R	R	R	R	R
ANNUITY LOANS								
Annuity Loans	13.50%	2013	2 104 321	(933)	2 103 388	-	475 266	1 628 122
Total Annuity Loans			2 104 321	(933)	2 103 388	-	475 266	1 628 122.06
LEASE LIABILITY								
Nashua IS 450 Scanner - Serial-P1200900021	11.00%	2009	3 279	-	3 279	-	3 279	0
Panasonic - DP1520- Serial-CFP4JZ00766	13.00%	2012	17 270	-	17 270	-	4 867	12 404
Panasonic Studio 120 - Serial-CGD314099	10.50%	2011	4 565	-	4 565	-	2 381	2 184
Panasonic - FP7818 - Serial-DAU24X00087	11.00%	2009	622	-	622	-	622	-
Panasonic - DP1820P - Serial-GDP3VM00049	10.50%	2010	8 582	-	8 582	-	8 582	-
Panasonic - DP1520P- Serial-GEP4JZ00752	13.00%	2012	17 270	-	17 270	-	4 867	12 404
Panasonic - DP1820P- Serial-HFP4KP00019	12.00%	2011	17 396	-	17 396	-	6 581	10 815
Panasonic - DP1515 Serial-HFP4WY00036	12.00%	2011	7 745	-	7 745	-	2 936	4 809
Panasonic - DP1515- Serial-HFP4WY00037	12.00%	2011	7 745	-	7 745	-	2 936	4 809
Panasonic - DP1515 - Serial-HFP4WY00038	12.00%	2011	7 745	-	7 745	-	2 936	4 809
Panasonic - DP180 - Serial-IDU3ZW00204	10.50%	2011	3 614	-	3 614	-	3 614	-
Panasonic - DP1820E- Serial-JEP4K200234	11.00%	2011	18 214	-	18 214	-	8 609	9 606
Panasonic - DP180 - Serial-KEE32W00119	10.50%	2011	8 197	-	8 197	-	4 500	3 697
Panasonic - UF490 - Serial-LDP1BH00001	11.00%	2010	1 454	-	1 454	-	1 454	-
Panasonic - DP1520P- Serial-LDP3VP00827	10.50%	2010	5 235	-	5 235	-	5 235	-
Panasonic - DP180 - Serial-LDU32W00094	10.50%	2010	3 614	-	3 614	-	3 614	-
Panasonic - DP6030 - Serial-LEP4BP00002	10.50%	2011	33 342	-	33 342	-	18 303	15 039
Siemens addition - 2700001913	14.00%	2013	51 317	-	51 317	-	14 220	37 097
Siemens - 2700001913	13.00%	2012	352 844	-	352 844	-	99 424	253 420
Konica Minolta B350 - 21207399	12.50%	2012	93 449	-	93 449	-	28 303	65 146
Panasonic DP180 - HDU3ZW00084	15.50%	2013	8 886	-	8 886	-	1 601	7 286
Konica Minolta C450 - 215801868	12.50%	2012	113 894	-	113 894	-	34 495	79 399
Konica Minolta 600 - 57BN30741	15.50%	2013	163 159	-	163 159	-	30 193	132 965
Panasonic DP1520P - LDP3VP00797	14.50%	2013	8 605	-	8 605	-	1 861	6 744
Konica Minolta C252 - 225704274	13.00%	2012	88 026	-	88 026	-	24 807	63 220
Nashua - AF2018D - J9246520484	11.00%	2009	2 957	-	2 957	-	2 957	-
Konica Minolta 211 - 4111209	15.50%	2013	31 164	-	31 164	-	5 767	25 397
Konica Minolta 211 - 4111248	15.50%	2013	30 716	-	30 716	-	5 841	24 875
Konica Minolta 211 - 4111294	15.50%	2013	30 716	-	30 716	-	5 841	24 875
Konica Minolta - 4111319	10.50%	2010	8 105	-	8 105	-	8 105	-
Panasonic Studio 120 - CGG424499	13.00%	2012	3 829	-	3 829	-	1 115	2 713
Panasonic DP180	12.00%	2014	-	-	-	19 735	3 065	16 670
Panasonic DP180	12.00%	2014	-	-	-	19 735	3 065	16 670
Panasonic DP180	12.00%	2014	-	-	-	19 735	3 065	16 670
Total Lease Liabilities			1 153 556	-	1 153 556	59 205	359 039	853 722.49
TOTAL EXTERNAL LOANS			3 257 877	(933)	3 256 944	59 205	834 305	2 481 845

**APPENDIX B - Unaudited
MAKANA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AS AT 30 JUNE
2010**

	Cost				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	
Executive and Council	1 193 649	170 887	-	1 364 536	1 364 536
Corporate Services	4 937 761	624 963	-47 691	5 515 033	5 515 033
Financial Services	3 450 832	916 150	-	4 366 981	4 366 981
Community Services	13 976 488	5 888 950	-65 000	19 800 438	19 800 438
Planning & Building Services	347 181	241 545	-	588 726	588 726
Technical Services	250 645 851	54 519 936	-91 002	305 074 784	305 074 784
TOTAL	274 551 762	62 362 430	-203 693	336 710 499	336 710 499

APPENDIX C (1) - Unaudited
MAKANA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
MUNICIPAL VOTES CLASSIFICATION

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
184 937	(5 949 121)	(5 764 184)	Executive and Council	1 709 797	(7 587 685)	(5 877 888)
1 409 068	(8 605 426)	(7 196 358)	Corporate Services	1 589 760	(10 896 490)	(9 306 730)
82 853 373	(66 325 362)	16 528 011	Financial Services	102 730 320	(54 607 184)	48 123 136
9 077 573	(18 398 093)	(9 320 520)	Community Services	6 811 485	(19 768 260)	(12 956 775)
521 252	(3 255 576)	(2 734 324)	Planning & Building Services	642 027	(4 253 811)	(3 611 784)
107 546 248	(89 968 940)	17 577 307	Technical Services	152 336 295	(115 619 898)	36 716 397
201 592 450	(192 502 518)	9 089 932	Sub Total	265 819 684	(212 733 328)	53 086 356
-	(10 067 710)	10 067 710	Less Inter-Departmental Charges	-	(13 963 613)	13 963 613
201 592 450	(202 570 228)	19 157 642	Total	265 819 684	(226 696 940)	67 049 968

**APPENDIX C (2) - Unaudited
MAKANA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
184 937	(5 949 121)	(5 764 184)	Executive & Council	1 709 797	(7 587 685)	(5 877 888)
62 291 705	(58 373 563)	3 918 142	Finance & Admin	46 192 488	(46 268 544)	(76 056)
521 252	(3 255 576)	(2 734 324)	Planning & Development	642 027	(4 253 811)	(3 611 784)
8 705 874	(7 869 958)	835 916	Health	6 337 895	(7 963 829)	(1 625 934)
273 485	(5 187 906)	(4 914 421)	Community & Social Services	421 906	(5 642 436)	(5 220 529)
11 932	(35 515)	(23 583)	Housing	-	(20 658)	(20 658)
1 409 068	(8 605 426)	(7 196 358)	Public Safety	1 589 760	(10 896 490)	(9 306 730)
86 282	(5 304 714)	(5 218 432)	Sport & Recreation	51 683	(6 141 337)	(6 089 654)
26 394 767	(17 385 608)	9 009 159	Waste Management	30 902 008	(20 411 018)	10 490 990
3 159 968	(9 651 319)	(6 491 351)	Road Transport	2 802 660	(12 299 746)	(9 497 086)
28 573 418	(19 055 851)	9 517 567	Water	42 990 714	(24 133 789)	18 856 925
49 418 095	(43 876 163)	5 541 932	Electricity	75 640 912	(58 775 344)	16 865 568
20 561 668	(7 951 799)	12 609 869	Other	56 537 832	(8 338 641)	48 199 192
201 592 450	(192 502 518)	9 089 932	Sub Total	265 819 684	(212 733 328)	53 086 356
-	(10 067 710)	10 067 710	Less Inter-Departmental Charges	-	(13 963 613)	13 963 613
201 592 450	(202 570 228)	19 157 642	Total	265 819 684	(226 696 940)	67 049 968

**APPENDIX D - Unaudited
MAKANA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 AS AT 30 JUNE 2010**

Grant Description	Balance 1 JULY 2009	Correction of error	Restated balance 01-Jul-09	Contributions during the year and other income	Interest on investment	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2010
	R	R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS								
Black rugby trust	8	-	8	-	-	-	-	8
Christmas cheer	2 062	-	2 062	-	-	-	-	2 062
Columbarium	4 957	-	4 957	-	-	-	-	4 957
Equitable Share	-	-	-	40 900 665	-	40 900 665	-	-
Finance Management grant	480 829	-	480 829	1 000 000	-	1 441 029	39 800	0
Fort Brown - Agri-village	550 000	-	550 000	-	-	-	-	550 000
Grahamstown Football Association	314 000	-	314 000	-	-	-	-	314 000
Municipal Infrastructure Grant (MIG)	37 990 093	(1 318 471)	36 671 622	56 076 672	-	430 768	57 364 740	34 952 785
Health Subsidies	-	-	-	6 327 740	-	6 327 740	-	-
Health development forum	76 576	-	76 576	-	-	37 503	-	39 073
Housing Projects (Housing Board)	4 281 822	-	4 281 822	-	229 568	-	-	4 511 390
IEC Infrastructure	15 186	-	15 186	-	-	869	-	14 317
Ikwezi project	27 039	-	27 039	-	-	-	-	27 039
Integrated development plan	387 663	-	387 663	-	-	73 176	-	314 487
I.T. and data cleansing	17 467	-	17 467	-	-	-	-	17 467
LED capacity building	4 366	-	4 366	133 622	-	227 250	-	(89 263)
Makana small-scale mines	100 000	-	100 000	-	-	-	-	100 000
Mayfield transit camp	291 535	-	291 535	-	-	-	-	291 535
Mayfield phase 2 planning	401 160	-	401 160	-	-	-	-	401 160
Municipal systems improvement grant	32 610	-	32 610	530 000	-	508 895	70 573	(16 858)
MSIG (Corporate Governance)	-	-	-	205 000	-	-	-	205 000
National peace arboretum	103 631	-	103 631	-	-	-	-	103 631
Planning and development	-	-	-	105 000	-	105 000	-	-
Sporting facilities (State Lotteries)	(246)	246	-	-	-	-	-	-
Trust funds (Alicedale)	848 184	149 655	997 839	-	-	236 600	-	761 239
Trust funds (Riebeeck East)	132 215	-	132 215	-	-	-	-	132 215
Valuation (General)	536 855	-	536 855	-	-	-	-	536 855
Victoria rd - 102 sites	(36 500)	36 630	130	-	433	-	-	563
Vukani greenbelt project (State Lottery)	170 800	-	170 800	-	-	-	-	170 800
Vuna Awards	108 933	-	108 933	-	-	-	-	108 933
Department of Sport	3 338	-	3 338	-	-	900	-	2 438
Transitional Grant	535	-	535	-	-	-	-	535
Outfall Sewer	(1 281 841)	1 281 841	-	-	-	-	-	-
Umsobomvu Youth Fund	100 477	-	100 477	-	-	85 087	-	15 391
Farmersfield - Roads	(110 346)	-	(110 346)	-	-	-	-	(110 346)
Farmersfield - Water	(76 683)	-	(76 683)	-	-	-	-	(76 683)
Vukani Housing Project (PHB)	(44 519)	-	(44 519)	-	-	-	-	(44 519)
Tantyi Housing Project	(33 028)	-	(33 028)	-	-	-	-	(33 028)
Newtown Housing Project	(7 753)	-	(7 753)	-	-	-	-	(7 753)
Victoria RD Housing Project	(42 102)	-	(42 102)	-	-	-	-	(42 102)
Farmersfield Survey	(84 440)	-	(84 440)	-	-	-	-	(84 440)
Upgrading Libraries - CDM	(137 812)	-	(137 812)	-	-	-	-	(137 812)
Water: Fort Brown (Rural Areas)	157 671	-	157 671	-	-	-	-	157 671
Investment Incentive Policy	-	-	-	152 250	-	-	-	152 250
Tourism SMME Development	-	-	-	150 000	-	-	-	150 000
Department of Water and Forestry	-	-	-	500 000	-	-	-	500 000
Public Viewing Area - FIFA 2010	-	-	-	200 000	-	200 000	-	-
Total	45 284 742	149 901	45 434 642	106 280 949	230 000	50 575 483	57 475 113	43 894 995