Baviaans Local Municipality
Annual Financial Statements
for the period ended 30 June 2010

Auditor-General: Eastern Cape
Issued 31 August 2010

General Information

Nature of business and principal activities	Local Authority
Mayoral committee	
Executive Mayor	EL Loock
Councillors	D Bezuidenhout
	J Booysen
	P Daniels
	C Krisjan
Grading of local authority	Grade 1
Accounting Officer	JMZ Vumazonke
Chief Finance Officer (CFO)	JD Doyle
Accounting Officer	
Registered office	42 Wehmeyer Street Willowmore 6445
Business address	PO Box 15 Willowmore 6445
Bankers	ABSA Bank Willowmore
Auditors	Auditor-General: Eastern Cape
Attorneys	Steyn and Van der Vyver Willowmore

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

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IFRS	International Financial Reporting Standards

Accounting Officer's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on pages 5 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on:

Municipal Manager **J.Z.A. Vumazonke**	**Chief Financial Officer** **J.D. Doyle**

Willowmore

31 August 2010

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

The municipality is engaged in local authority and operates principally in South Africa.

The operating results for the year were satisfactory for the following reasons. The financial position of the municipality is [describe].

2. Going concern

We draw attention to the fact that at 30 June 2010, the municipality had accumulated deficits of R 94,700,307 and that the municipality's total liabilities exceed its assets by R 94,700,307.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

3. Accounting policies

The following International Financial Reporting Standards were applied prior to the commencement dates in the current year:

Details to be input here...

The impact on the results of the municipality in adopting the above policies is reflected in note - to the annual financial statements.

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Auditors

Auditor-General: Eastern Cape will continue in office for the next financial period.

Statement of Financial Position

	Note(s)	2010 R	2009 R
Assets			
Current Assets			
Inventories	9	13,271	11,187
Other financial assets	6	7,294,696	18,464,908
Trade and other receivables from non- exchange transactions	10	470,455	36,985
VAT receivable form non-exchange transactions	11	1,551,281	967,597
Consumer debtors from exchange transactions	12	2,546,268	988,150
Cash and cash equivalents	13	507,482	1,360,604
		12,383,453	**21,829,431**
Non-Current Assets			
Investment property	3	4,848,355	4,843,505
Property, plant and equipment	4	93,602,289	88,710,946
Intangible assets	5	414,987	8,286
		98,865,631	**93,562,737**
Total Assets		**111,249,084**	**115,392,168**
Liabilities			
Current Liabilities			
Other financial liabilities	14	6,707	95,214
Finance lease obligation	15	464,079	349,389
Trade and other payables from exchange transactions	18	6,426,891	6,853,093
VAT payable		-	60
Consumer deposits	19	132,533	130,292
Unspent conditional grants and receipts	16	6,632,164	11,879,263
Provisions	17	1,262,179	959,078
Bank overdraft	13	614,004	-
		15,538,557	**20,266,389**
Non-Current Liabilities			
Other financial liabilities	14	-	6,707
Finance lease obligation	15	1,010,220	1,117,542
		1,010,220	**1,124,249**
Total Liabilities		**16,548,777**	**21,390,638**
Net Assets		**94,700,307**	**94,001,530**
Net Assets			
Accumulated surplus		94,700,307	94,001,530

Statement of Financial Performance

	Note(s)	2010 R	2009 R
Revenue			
Property rates		2,383,034	1,338,185
Service charges		6,624,109	6,040,489
Rental of facilities and equipment	31	97,330	54,930
Interest received (Outstanding debtors)		344,608	455,125
Income from agency services		756,575	1,200,187
Fines		14,410	26,890
Licences and permits		464,792	416,283
Government grants & subsidies	22	25,672,786	31,758,851
Other income	23	633,985	1,957,506
Interest received - investment	28	968,959	5,830,106
Total Revenue		**37,960,588**	**49,078,552**
Expenditure			
Personnel	25	(11,673,966)	(9,669,138)
Remuneration of councillors	26	(933,333)	(976,119)
Transfer payments		(16,380)	(1,539,908)
Depreciation and amortisation		(3,368,426)	(3,143,147)
Finance costs	29	(344,856)	(477,148)
Debt impairment	27	(497,382)	(932,408)
Repairs and maintenance		(2,825,358)	(2,401,098)
Bulk purchases		(4,598,782)	(2,648,063)
General Expenses	24	(14,134,579)	(11,322,218)
Total Expenditure		**(38,393,062)**	**(33,109,247)**
Gain on disposal of assets and liabilities		18,502	361,825
(Deficit) surplus for the year		**(413,972)**	**16,331,130**

Statement of Changes in Net Assets

	Capital Development Fund	Revolving Fund	Dog Tax Fund	Housing Development Fund	Total reserves	A
	R	R	R	R	R	
Opening balance as previously reported	9,342	4,112,178	134,246	531,951	4,787,717	
Adjustments						
Change in accounting policy	(9,342)	(4,112,178)	(134,246)	(531,951)	(4,787,717)	
Balance at 01 July 2008 as restated	**-**	**-**	**-**	**-**	**-**	
Changes in net assets						
Surplus for the year	-	-	-	-	-	
Total changes	-	-	-	-	-	
Opening balance as previously reported	-	-	-	-	-	
Adjustments						
Change in accounting policy	-	-	-	-	-	
Balance at 01 July 2009 as restated	**-**	**-**	**-**	**-**	**-**	
Changes in net assets						
Deficit for the year	-	-	-	-	-	
Total changes	-	-	-	-	-	
Balance at 30 June 2010	**-**	**-**	**-**	**-**	**-**	

Cash Flow Statement

	Note(s)	2010 R	2009 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		29,594,648	39,518,673
Interest income		968,959	-
Dividends received		-	366,556
		30,563,607	39,885,229
Payments			
Suppliers		(35,228,173)	(41,258,997)
Finance costs		(114,334)	(167,252)
		(35,342,507)	(41,426,249)
Undefined difference compared to the cash generated from operations note		**(1)**	**-**
Net cash flows from operating activities	32	**(4,778,901)**	**(1,541,020)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(8,230,460)	(14,789,051)
Proceeds from sale of property, plant and equipment	4	18,502	762,221
Purchase of investment property	3	(7,000)	(13,205)
Proceeds from sale of investment property	3	2,150	7,900
Purchase of other intangible assets	5	(436,008)	-
Proceeds from sale of financial assets		11,170,212	(18,464,908)
Purchase of other asset 1		-	(367,091)
Net cash flows from investing activities		**2,517,396**	**(32,864,134)**
Cash flows from financing activities			
Repayment of other financial liabilities		(95,214)	(115,044)
Finance lease payments		(223,154)	1,581,975
Other cash item		1,112,747	8,388
Net cash flows from financing activities		**794,379**	**1,475,319**
Net increase/(decrease) in cash and cash equivalents		**(1,467,126)**	**(32,929,835)**
Cash and cash equivalents at the beginning of the year		1,360,604	34,290,438
Cash and cash equivalents at the end of the year	13	**(106,522)**	**1,360,603**

Accounting Policies

1. Presentation of ANNUAL FINANCIAL STATEMENTS

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

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and/or loans and receivables

Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Fair value estimation

Unquoted financial assets are measured at fair value using valuation techniques. Inherent to these techniques are certain uncertainties like time of cash flows and interest rates used for discounting.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

The municipality uses an appropriate interest rate, taking into account guidance provided in the standards, and applying professional judgement to the specific circumstances, to discount future cash flows.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

Transitional provision

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and investment property has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

1.2 Investment property (continued)

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Infrastructure	46.66 years

1.3 Property, plant and equipment (continued)

Leased Assets	5 years
Landfill Site	5 years

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 4.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licenses and development costs.

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

1.4 Intangible assets (continued)

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Subsequent to initial recognition Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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

Item	**Useful life**
Computer software, other	10 years

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.
The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

A previously recognised impairment loss is reversed when there is an indication that it may no longer exist or may have decreased, however not to an amount higher than the carrying amount that would have been determined (net of amortisation) had no impairment been recognised in prior years.

An intangible asset is derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is included in surplus or deficit when the item is derecognised.

1.4 Intangible assets (continued)

Transitional provision

The municipality changed its accounting policy for intangible assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible assets. Intangible Assets has accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where intangible assets was acquired through a transfer of functions, the municipality is not required to measure that intangible assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and intangible assets has accordingly been recognised at provisional amounts, as disclosed in 5.

Until such time as the measurement period expires and intangible assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:
- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Intangible assets implies that any associated presentation and disclosure requirements need not be complied with for intangible assets not measured in accordance with the requirements of the Standard of GRAP on Intangible assets.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Financial assets at fair value through surplus or deficit - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through surplus or deficit - held for trading
- Financial liabilities at fair value through surplus or deficit - designated
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initialy when the municipality becomes party to the contractual provisions.

The municipality's classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an residual interest instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the municipality's Statement of Financial Position when the entity becomes party to the contractual provisions of the instrument. .

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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

1.5 Financial instruments (continued)

Subsequent measurement

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

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

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

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

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

The credit quality of a financial asset or group of financial assets that is neither past due nor impaired is assessed / monitored by reference to historical information about counterparty default rates. The following are the criteria and indicators that are applied to assess whether or not the financial asset or group of financial assets may be impaired:
* counterparty has evidenced a trend of defaults that indicates that the recoverability of the outstanding balance of the financial asset or group of financial assets is doubtful; and
* financial difficulties identified from an analysis of the counterparty's financial position that would indicate that the recoverability of the outstanding balance of financial asset or group of financial assets is doubtful.

Impairment losses are recognised in surplus or deficit.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment loss to reflect irrecoverable amounts. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of

1.5 Financial instruments (continued)

an allowance account, and the amount of the loss is recognised in the statement of financial performance within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance

Trade and other payables

Financial liabilities consist of trade payables and borrowings. Trade payables are initially measured at fair value, and are subsequently measured at amortised cost which is the initial carrying amount, les repayments, plus interest.

Cash and cash equivalents

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

Derecognition

Financial assets

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

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

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality’s continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated

1.5 Financial instruments (continued)

future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease and have been considered by the entity:

* lease transfers ownership of the asset to the lessee by the end to the lease term;
* the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
* the lease term is for the major part of the economic life of the asset even if title is not transferred;
* at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
* the leased asset is of such a specialised nature that only the lessee can use them without major modifications;
* if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
* gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and the
* lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Contingent rentals are recognised as expenses in the period in which they are incurred and are not included in the straightline lease expense.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. This asset / liability is not discounted.

Contingent rentals are recognised as expenses in the period in which they are incurred and are not included in the straightline lease expense.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.9 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

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

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

1.10 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

1.10 Employee benefits (continued)

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.11 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

1.12 Revenue from exchange transactions (continued)

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

Interest is recognised on a time-apportioned basis, in surplus or deficit..

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the

1.13 Revenue from non-exchange transactions (continued)

municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.14 Borrowing costs

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

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

1.15 Fruitless and wasteful expenditure

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

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

1.16 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant

1.16 Irregular expenditure (continued)
programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.17 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.18 Offsetting

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

1.19 Related Parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned or controlled by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. We regard all individuals from the level of Executive Mayor, Municipal Manage and Council Members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or to be influenced by key management individuals, in their dealings with the entity.

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

1.20 Budget information

Comparision of budget and actual amounts are presented in a separate additional annexure: Statement of Comparison of Budget and Actual Amounts.

The entity only presents the final budget amounts.

Differences (variances) between the actual amounts and budget amounts are presented.

The financial statements and budget are not presented on the same basis as the financial statements are prepared on accrual basis and the budget on cash basis of accounting. A reconciliation between the surplus/(deficit) for the period as per Statement of Financial Performance and budgeted surplus/(deficit) is included in the Statement of Comparison of Budget and Actual Amounts.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not material.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

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

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through surplus or deficit

Certificate by Secretary

2. New standards and interpretations (continued)
category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is not materia as the municipality did not classify any financial instruments at fair value through profit and loss.

IAS 36 (AC 128) Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a controlled entity, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee’s net assets including goodwill in consolidated financial statements or

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:

- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through surplus or deficit category if certain stringent conditions are met. It also permits an entity to transfer from the available-for-sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application on the initial adoption of the Standard except for the acquisition of foreign operations.

Certificate by Secretary

2. New standards and interpretations (continued)

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the

2. New standards and interpretations (continued)
Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 7: Investments in Associates

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investor must exercise judgement in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method.

The initial application of GRAP 7 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 8: Interests in Joint Ventures

GRAP 8 uses a different definition for joint venture and joint control – contractual arrangement has been replaced by binding arrangement (public sector amendment) – public entities need to review current arrangements to determine whether they fall within the scope of GRAP 8 as a result of the public sector amendment.

Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

GRAP 8 incorporates guidance adopted from SIC13 on Non-monetary Contributions by ventures issued by the IASB i.e. provisions for accounting for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity that is accounted for using either the equity method or proportionate consolidation. (Par.57-62).

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2. New standards and interpretations (continued)

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the municipality receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the municipality, and the municipality can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of Standard on GRAP 9.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 10: Financial Reporting in Hyperinflationary Economies

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2. New standards and interpretations (continued)

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 11: Construction Contracts

The definition for “construction contract” was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for “cost plus or cost based contract” has been expanded to include commercially-based contract.

The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the municipality would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the municipality as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:
- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

Certificate by Secretary

2. New standards and interpretations (continued)

The retail method of measurement of cost is excluded from GRAP 12.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the municipality has contravened these legislative requirements, the municipality is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Certificate by Secretary

2. New standards and interpretations (continued)

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity’s operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

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

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the municipality needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its

Certificate by Secretary

2. New standards and interpretations (continued)
fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 exclude from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 give specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the municipality.

If an external valuation is use to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

2. New standards and interpretations (continued)

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. “Non-cash-generating assets” are assets other than cash-generating assets and “value in use of a non-cash-generating asset” is the present value of the asset’s remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a controlled entity acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the municipality’s use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated

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2. New standards and interpretations (continued)
surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state “gains shall not be classified as revenue” as GRAP term “income” has a broader meaning than the term “revenue”.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

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

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2. New standards and interpretations (continued)

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

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

The municipality expects to adopt the interpretation for the first time in the 2011 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IPSAS 20: Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note Changes in Accounting Policy.

2009 Annual Improvements Project: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

In terms of the amendment, forward contracts to buy or sell an acquiree that will result in a business combination in the future, are only exempt from the Standard if the term of the contract does not exceed that which is reasonably necessary to obtain the required approval and complete the transaction. The amendment further clarifies that in a cash flow hedge of a forecast transaction, gains or losses should be reclassified from equity to profit or loss in the period in which the hedged forecast cash flow affects surplus or deficit. The amendment also clarifies that a prepayment option is not closely related to the host contract unless the exercise price is approximately equal to the present value of the lost interest for the remaining term of the host contract.

The effective date of the amendment is for years beginning on or after 01 January 2010.

The municipality expects to adopt the amendment for the first time in the 2011 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

2009 Annual Improvements Project: Amendments to IFRIC 9 (AC 442) Reassessment of Embedded Derivatives

The amendment excludes form the scope of the Interpretation all embedded derivatives acquired in a business combination, in the combination of entities under common control or the formation of joint ventures.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

2009 Annual Improvements Project: Amendments to IFRIC 16 (AC 449) Hedges of a Net Investment in a Foreign Operation

The amendment now provides that the hedging instrument in a hedge of a net investment in a foreign operation may be held by the entity which is being hedged.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

Certificate by Secretary

2. New standards and interpretations (continued)

The impact of the amendment is set out in note Changes in Accounting Policy.

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

Notes to the Annual Financial Statements

	2010 R	2009 R

3. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	4,848,355	-	4,848,355	4,843,505	-	4,843,505

Reconciliation of investment property - 2010

	Opening balance	Additions	Disposals	Total
Investment property	4,843,505	7,000	(2,150)	4,848,355

Reconciliation of investment property - 2009

	Opening balance	Additions	Disposals	Total
Investment property	4,838,200	13,205	(7,900)	4,843,505

Pledged as security

No investment property were pledged as security for the liabilities of the municipality:

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

	2010	2009
	R	R

4. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	268,326	-	268,326	268,326	-	268,326
Buildings	9,387,753	-	9,387,753	9,387,753	-	9,387,753
Infrastructure	78,036,239	(31,230,381)	46,805,858	72,726,549	(28,457,358)	44,269,191
Community	7,780,550	-	7,780,550	6,112,091	-	6,112,091
Other equipment	27,460,407	-	27,460,407	26,788,967	-	26,788,967
Finance Leased Assets	2,282,673	(1,021,068)	1,261,605	1,897,091	(602,473)	1,294,618
Land Fill SIte	785,290	(147,500)	637,790	590,000	-	590,000
Total	**126,001,238**	**(32,398,949)**	**93,602,289**	**117,770,777**	**(29,059,831)**	**88,710,946**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land	268,326	-	-	268,326
Buildings	9,387,753	-	-	9,387,753
Infrastructure	44,269,191	5,309,690	(2,773,023)	46,805,858
Community	6,112,091	1,668,459	-	7,780,550
Other equipment	26,788,967	671,440	-	27,460,407
Finace Leased Assets	1,294,618	385,581	(418,594)	1,261,605
Land Fill Site	590,000	195,290	(147,500)	637,790
	88,710,946	**8,230,460**	**(3,339,117)**	**93,602,289**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	GRAP adjustments	Disposals	Depreciation	Total
Land	-	-	268,326	-	-	268,326
Buildings	-	-	9,387,753	-	-	9,387,753
Infrastructure	48,404,592	12,250,861	(13,212,843)	(400,396)	(2,773,023)	44,269,191
Community	2,161,513	3,950,578	-	-	-	6,112,091
Other equipment	25,527,332	1,261,635	-	-	-	26,788,967
Financed Leased Assets	1,368,968	292,741	-	-	(367,091)	1,294,618
Land Fill Site	-	590,000	-	-	-	590,000
	77,462,405	**18,345,815**	**(3,556,764)**	**(400,396)**	**(3,140,114)**	**88,710,946**

Pledged as security

Carrying value of assets pledged as security:

	2010	2009
Motor Vehicles	926,746	1,048,202
Office Equipment	334,858	246,416

Financed leased assets are pledged as security for finance leased liabilities as per note 14.]

Other information

Details of Heritage Assets and Servitudes

The municipality owns the following heritage assets:

Notes to the Annual Financial Statements

	2010 R	2009 R

4. Property, plant and equipment (continued)

The Heroes of Steytlerville monument, situated in Steytlerville, in honor of persons that died during the apartheids struggle. The Great War Memorial monument, situated in Steytlerville, in honor of serivce men killed during the First World War.

The municipality owns registered servitudes.

The municipality owns 19,2km of tarred road, 44,83km of gravel road and 4,71km of paved road. These roads have been identified but not yet measured at fair value for inclusion in the financial statements. This is in accordance with the transitional provisions set out in Directive 4.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

5. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Operation software	466,343	(51,356)	414,987	30,334	(22,048)	8,286

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Operations software	8,286	436,008	(29,307)	414,987

Reconciliation of intangible assets - 2009

	Opening balance	Amortisation	Total
Operation software	11,319	(3,033)	8,286

Notes to the Annual Financial Statements

	2010 R	2009 R
6. Other financial assets		
Held to maturity		
Short term fixed deposits	7,294,696	18,464,908
This represents monies invested with ABSA and Standard which mature at various future dates and various returns.		
Current assets		
Held to maturity	7,294,696	18,464,908
Short term deposits		
Standard Bank - 288875729	814,519	767,935
ABSA Bank - 4061808429	204,950	372,280
ABSA Bank - 2067964441	2,128,359	3,495,431
ABSA Bank - 2069012985	476,069	809,875
ABSA Bank - 2069285530	103,669	-
ABSA Bank - 206976275	326,090	-
ABSA Bank - 2067964289	-	2,000,000
ABSA Bank - 2069951670	891,039	-
ABSA Bank - 2070392879	2,350,000	-
ABSA Bank - 9168752598	-	130,931
ABSA Bank - 2067954317	-	2,179,874
ABSA Bank - 9190800735	-	6,066
ABSA Bank - 2068636758	-	1,414,754
ABSA Bank - 2068636724	-	634,777
ABSA Bank - 2068666757	-	304,746
ABSA Bank - 2069012846	-	510,973
ABSA Bank - 2069013054	-	289,366
ABSA Bank -2069127079	-	1,007,145
ABSA Bank - 2069127087	-	4,532,153

The investments are 32day fixed deposits and bears interest and rates of 2% to 8% per annum.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2010 and 2009, as all the financial assets were disposed of at their redemption date.

Notes to the Annual Financial Statements

	2010 R	2009 R

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2010

	Loans and receivables	Held to maturity investments	Total
Other financial assets	-	7,294,696	7,294,696
Consumer Debtors from exchange transactions	2,546,268	-	2,546,268
Cash and cash equivalents	507,482	-	507,482
VAT receivable	1,551,281	-	1,551,281
Trade and Other Receivables from non-exchange transactions	470,455	-	470,455
	5,075,486	**7,294,696**	**12,370,182**

2009

	Loans and receivables	Held to maturity investments	Total
Other financial assets	-	18,464,908	18,464,908
Consumer Debtors from exchange transactions	988,150	-	988,150
Cash and cash equivalents	1,360,604	-	1,360,604
VAT receivable	967,597	-	967,597
Trade and Other Receivables from non-exchange transactions	36,985	-	36,985
	3,353,336	**18,464,908**	**21,818,244**

8. Retirement benefits

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

	2010	2009
The total economic entity contribution to such schemes	761,327	584,412

9. Inventories

	2010	2009
Water	13,271	11,187

10. Trade and other receivables from non- exchange transactions

	2010	2009
Trade debtors	147,374	30,363
Cacadu Claims	323,081	6,622
	470,455	**36,985**

11. VAT receivable

	2010	2009
VAT	1,551,281	967,597

VAT is payable on the receipt basis and is paid over to SARS only once payment is received from debtors.

12. Consumer debtors

	2010 R	2009 R
12. Consumer debtors (continued)		
Gross balances		
Rates	1,178,338	775,533
Electricity	616,172	513,544
Water	1,716,943	1,333,824
Sewerage	647,554	489,900
Refuse	892,397	738,038
Other (specify)	147,761	237,331
	5,199,165	**4,088,170**
Less: Provision for debt impairment		
Provision for impairment of assets	(2,652,897)	(3,100,020)
Net balance		
Rates	1,178,338	775,533
Electricity	616,172	513,544
Water	1,716,943	1,333,824
Sewerage	647,554	489,900
Refuse	892,397	738,038
Other (including provision for doubtfull debts)	(2,505,136)	(2,862,689)
	2,546,268	**988,150**
Rates		
Current (0 -30 days)	48,403	117,566
31 - 60 days	19,032	64,341
61 - 90 days	17,013	87,002
91 - 120 days	12,266	42,400
121 - 365 days	1,081,624	464,224
	1,178,338	**775,533**
Electricity		
Current (0 -30 days)	165,167	169,695
31 - 60 days	58,127	33,426
61 - 90 days	56,204	28,049
91 - 120 days	40,058	3,833
121 - 365 days	296,616	278,541
	616,172	**513,544**
Water		
Current (0 -30 days)	209,831	111,612
31 - 60 days	77,744	111,155
61 - 90 days	94,634	137,418
91 - 120 days	82,987	66,346
121 - 365 days	1,251,747	907,293
	1,716,943	**1,333,824**
Sewerage		
Current (0 -30 days)	47,855	34,731
31 - 60 days	30,187	23,871
61 - 90 days	32,077	17,679
91 - 120 days	30,358	16,638
121 - 365 days	507,077	396,981
	647,554	**489,900**

Notes to the Annual Financial Statements

	2010 R	2009 R
12. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	69,268	46,608
31 - 60 days	42,105	33,754
61 - 90 days	41,714	26,752
91 - 120 days	40,917	24,776
121 - 365 days	698,393	606,148
	892,397	**738,038**
Other (specify)		
Current (0 -30 days)	(67,279)	129,292
31 - 60 days	3,206	46,348
61 - 90 days	1,140	36,878
91 - 120 days	1,065	30,977
121 - 365 days	289,744	270,688
Impairment	(2,733,012)	(3,376,872)
	(2,505,136)	**(2,862,689)**

Summary of debtors by customer classification

	2010 R	2009 R
Consumers		
Current (0 -30 days)	235,379	300,983
31 - 60 days	151,395	216,583
61 - 90 days	167,109	276,612
91 - 120 days	158,158	181,102
121 - 365 days	4,023,398	2,899,730
	4,735,439	3,875,010
Less: Provision for debt impairment	(2,645,729)	(2,892,130)
	2,089,710	**982,880**
Industrial/ commercial		
Current (0 -30 days)	57,401	58,699
31 - 60 days	8,067	5,929
61 - 90 days	1,863	4,133
91 - 120 days	1,200	2,672
121 - 365 days	19,355	19,695
	87,886	91,128
Less: Provision for debt impairment	(687)	(22,366)
	87,199	**68,762**
National and provincial government		
Current (0 -30 days)	165,993	125,187
31 - 60 days	70,940	45,192
61 - 90 days	73,810	26,507
91 - 120 days	48,294	598
121 - 365 days	81,044	3,824
	440,081	201,308
Less: Provision for debt impairment	(6,481)	(4,421)
	433,600	**196,887**
Total		
Current (0 -30 days)	458,773	484,868
31 - 60 days	230,401	267,703

Notes to the Annual Financial Statements

	2010 R	2009 R
12. Consumer debtors (continued)		
61 - 90 days	242,783	305,950
91 - 120 days	207,652	184,371
121 - 365 days	4,059,556	2,845,278
	5,199,165	4,088,170
Less: Provision for debt impairment	(2,652,897)	(3,100,020)
	2,546,268	**988,150**
Less: Provision for debt impairment		
Current (0 -30 days)	(25,037)	-
31 - 60 days	(31,426)	-
61 - 90 days	(58,593)	-
91 - 120 days	(50,631)	(184,371)
121 - 365 days	(2,487,210)	(2,915,649)
	(2,652,897)	**(3,100,020)**
Total debtor past due but not impaired		
Current (0 -30 days)	433,736	484,868
31 - 60 days	198,975	267,703
61 - 90 days	184,190	305,943
91 - 120 days	167,021	-
121 - 365 days	1,643,755	-
	2,627,677	**1,058,514**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(3,100,020)	-
Contributions to provision	447,123	(3,100,020)
	(2,652,897)	**(3,100,020)**

Consumer debtors pledged as security

No Consumer debtors were pledged as security for the liabilities of the municipality.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2010 R	2009 R
Bank balances	507,482	1,360,604
Bank overdraft	(614,004)	-
	(106,522)	**1,360,604**
Current assets	507,482	1,360,604
Current liabilities	(614,004)	-
	(106,522)	**1,360,604**

14. Other financial liabilities

	2010 R	2009 R
Held at amortised cost		
ABSA Bank Loan	6,707	101,921
The abovementioned loan bears interest at 10% and is repayable in monthly repayments of R8 448. The last instalment is 1 July 2010.		
Non-current liabilities		
At amortised cost	-	6,707

	2010 R	2009 R
14. Other financial liabilities (continued)		
Current liabilities		
At amortised cost	6,707	95,214
	6,707	**101,921**

The fair values of the financial liabilities approximates their carrying values:

15. Finance lease obligation

	2010 R	2009 R
Minimum lease payments due		
- within one year	654,652	559,141
- in second to fifth year inclusive	1,158,710	1,326,505
	1,813,362	1,885,646
less: future finance charges	(339,063)	(418,716)
Present value of minimum lease payments	**1,474,299**	**1,466,930**
Present value of minimum lease payments due		
- within one year	468,852	353,565
- in second to fifth year inclusive	1,005,447	1,113,366
	1,474,299	**1,466,931**
Non-current liabilities	1,010,220	1,117,542
Current liabilities	464,079	349,389
	1,474,299	**1,466,931**

It is municipality policy to lease certain computer and office equipment under finance leases.

The average lease term was 3 -5 years and the average effective borrowing rate was 11% (2009: 12%).

Interest rates are fixed at the contract date. Somel leases escalate at between 10% and 15% per annum.. Some vehicles have contingent rent payable based on kilometres travelled above on an agreed limit. For other leases no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 4.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2010 R	2009 R
Unspent conditional grants and receipts		
Drought Relief	-	185,382
Finance Management Grant	-	9,734
MIG Grant	4,664,121	7,314,450
Spatial Development Framework	700,000	700,000
Valuation of Property	478,334	2,613,980
Water and Sanitation Policy	-	87,719
Water Conservation DWAF	338,386	338,386
Water Services Assets	(1)	614,035
Water Supply Investigation	15,577	15,577
Unspent grant 11	60,259	-
Unspent grant 12	375,488	-
	6,632,164	**11,879,263**

Movement during the year

Notes to the Annual Financial Statements

	2010 R	2009 R

16. Unspent conditional grants and receipts (continued)

Balance at the beginning of the year	11,879,263	29,019,143
Additions during the year	10,890,855	7,190,132
Income recognition during the year	(16,137,954)	(24,330,012)
	6,632,164	**11,879,263**

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

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

See note for reconciliation of grants from National/Provincial Government.

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

17. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	686,271	303,363	-	989,634
Bonus Provision	248,414	2,829	-	251,243
Provision 3	24,393	-	(3,091)	21,302
	959,078	**306,192**	**(3,091)**	**1,262,179**

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Environmental rehabilitation	-	686,271	686,271
Bonus Provision	-	248,414	248,414
Long Service Awards	-	24,393	24,393
	-	**959,078**	**959,078**

Bonuses are paid out to all emloyees (except for senior management) during November each year and are based on a 13th month basic salary.

Long service awards to eligible employees are paid for services rendered by employees of 10 years and longer in five year intervals. These employees are awarded proportionally every five years based on 10 days basic salary for 10 years salary

The provision for land fill sites was based on the rehabilitation of the sites based at Willowmore and Steytlerville. This rehabilitation is due to the fact that the municipality have rehabilitate these sites in terms of the licensing of landfill refuse sites. These sites will be rehabilitated by 30 June 2013.

18. Trade and other payables from exchange transactions

Trade payables	4,153,910	6,183,335
Accrued leave pay	872,162	669,758
Accrued expense 1	1,400,819	-
	6,426,891	**6,853,093**

19. Consumer deposits

Electricity	132,533	130,292

	2010 R	2009 R

20. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2010

	Financial liabilities at amortised cost	Total
Longterm portion of finance lease obligations	1,010,220	1,010,220
Unspent conditional grants and receipts	6,632,165	6,632,165
Trade and other payables from exchange transactions	6,426,882	6,426,882
Bank overdraft	614,004	614,004
Consumer Deposits	132,533	132,533
Short term portion of finance lease obligation	464,079	464,079
Short term portion of other financial liabilities	6,707	6,707
	15,286,590	**15,286,590**

2009

	Financial liabilities at amortised cost	Total
Longterm portion of finance lease obligations	1,117,542	1,117,542
Trade and other payables from exchange transactions	6,853,084	6,853,084
Unspent conditional grants	11,879,263	11,879,263
Long term portion of other financial liabilities	6,707	6,707
Trade and other payables	6,556,213	6,556,213
Consomer Deposits	130,292	130,292
Short term portion of finance lease obligations	349,389	349,389
Short term portion of other financial liabilities	95,214	95,214
	26,987,704	**26,987,704**

21. Revenue

	2010 R	2009 R
Property rates	2,383,034	1,338,185
Service charges	6,624,109	6,040,489
Rental of facilities & equipment	97,330	54,930
Income from agency services	756,575	1,200,187
Fines	14,410	26,890
Licences and permits	464,792	416,283
Government grants & subsidies	25,672,786	31,758,851
	36,013,036	**40,835,815**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2010 R	2009 R
Service charges	6,624,109	6,040,489
Rental of facilities & equipment	97,330	54,930
Income from agency services	756,575	1,200,187
Licences and permits	464,792	416,283
	7,942,806	**7,711,889**

The amount included in revenue arising from non-exchange transactions is as follows:

	2010 R	2009 R
Property rates	2,383,034	1,338,185
Fines	14,410	26,890

Notes to the Annual Financial Statements

	2010 R	2009 R

21. Revenue (continued)

Government grants & subsidies	25,672,786	31,758,851
	28,070,230	**33,123,926**

22. Government grants and subsidies

Equitable share	9,534,832	7,428,840
CIP Grant	185,382	14,618
Drought Relief	-	177,969
Finance Management Grant	900,726	577,293
Fullarton Fencing Grant	72,349	-
IDP Grant - Cacadu	80,076	94,491
LDP Funds Cacadu	20,512	-
MIG Grant	11,018,895	19,949,019
MSIG Grant	400,000	-
Project Consolidate	-	688,927
Spatial Development Framework	-	95,637
Tourism Hospitality Training	188,754	-
Valuation of Property Grant	2,135,646	2,386,020
Water & Sanitation Policy Grant	96,579	-
Water Conservation DWAF	-	261,614
Water Services Asset Grant	1,039,035	84,423
	25,672,786	**31,758,851**

23. Other income

Connection fees	42,586	15,623
Cemetery fees	4,618	3,185
Building Fees	4,777	5,112
Sundry Income	145,865	1,797,025
Photocopies	311	437
Commission recieved	11,794	14,945
Rezoning Fees	12,481	7,017
Valuation Fees	12,045	2,616
Events and Other	252,582	-
Membership fees	50,350	-
Other revenue	1,124	23,211
Tourism Brochures	17,040	78,295
Transaction Fees	78,412	10,040
	633,985	**1,957,506**

Notes to the Annual Financial Statements

	2010 R	2009 R
24. General expenses		
Advertising	67,691	131,369
Auditors remuneration	812,510	399,545
Bank charges	70,739	81,810
Cleaning	12,372	11,774
Commission paid	69,463	50,619
Consulting and professional fees	79,129	55,497
Consumables	13,115	18,826
	8,342,719	6,675,799
Donations	25,996	28,080
Animal Costs	122,640	100,000
Insurance	188,692	216,576
IT expenses	10,000	-
Pest control	3,634	92
Fuel and oil	442,568	776,175
Postage and courier	108,389	40,557
Printing and stationery	161,219	275,182
Promotions	60,000	-
Special projects	955,129	274,959
Research and development costs	58,816	39,601
Subscriptions and membership fees	68,807	8,033
Telephone and fax	343,119	170,001
Training	260,531	57,824
Travel - local	106,633	138,049
Refuse	46,352	42,800
Title deed search fees	1,047	3,226
Electricity	473,356	400,000
Utilities - Other	220,521	92,809
Tourism development	299,777	-
Departemental Charges	1,973	(221,191)
Capital Expenditure	335,767	87,174
Lisences	36,640	10,450
Town Planning	32,394	-
Administation fees	51,832	1,138,577
Expense 9	105,845	101,341
	182	-
Chemicals	129,951	92,013
Other expenses	17,116	35,838
Rendering of services	(2,085)	(11,187)
	14,134,579	**11,322,218**

	2010 R	2009 R

25. Employee related costs

Basic	9,451,587	7,046,795
Bonus	396,706	574,142
Contributions to UIF, SDL and medical aid	404,334	203,555
Leave pay provision charge	202,404	823,729
Post-employment benefits - Pension - Defined contribution plan	761,328	584,212
Travel, motor car, accommodation, subsistence and other allowances	149,573	199,701
Overtime payments	286,389	188,132
Long-service awards	(3,091)	24,393
Housing benefits and allowances	24,736	24,479
	11,673,966	**9,669,138**

Municipal Manager: JZA Vumazonke

Annual Remuneration	431,087	320,863
Car Allowance	60,000	60,000
Other	14,400	14,400
	505,487	**395,263**

Chief Financial Officer: JH Doyle

Annual Remuneration	278,150	188,021
Car Allowance	134,138	123,914
Other	10,800	10,800
	423,088	**322,735**

Corporate Services Manager: M Lotter

Annual Remuneration	337,287	247,051
Car Allowance	75,000	75,000
Other	10,800	10,800
	423,087	**332,851**

Techinical Services Manager: B Arends

Annual Remuneration	377,387	274,320
Car Allowance	35,000	38,113
Other	10,800	10,800
	423,187	**323,233**

Community Services Manger: L de Beer

Annual Remuneration	352,287	210,056
Car Allowance	60,000	30,000
Other	10,800	5,888
	423,087	**245,944**

26. Remuneration of councillors

Councillors	674,070	746,932
Executive mayor	259,263	229,187
	933,333	**976,119**

Notes to the Annual Financial Statements

	2010 R	2009 R

26. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor is full-time. He is provided with an office and secretarial support at the cost of the Council.

27. Debt impairment

Debt impairment	-	532,408
Contributions to debt impairment provision	97,382	-
Debts impaired	400,000	400,000
	497,382	**932,408**

28. Investment revenue

Interest revenue		
Bank	987,536	2,254,249
Interest charged on trade and other receivables	(18,577)	3,575,857
	968,959	**5,830,106**

The amount included in Investment revenue arising from exchange transactions amounted to R -.

The amount included in Investment revenue arising from non-exchange transactions amounted to R -.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

29. Finance costs

Finance leases	230,522	309,896
Bank	-	82,022
Current borrowings	6,261	(11,041)
Other interest paid	108,073	96,271
	344,856	**477,148**

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

30. Auditors' remuneration

Fees	812,510	399,545

31. Rental of facilities and equipment

Premises		
Premises	29,012	-
Venue hire	23,692	10,073
commonage	1,439	1,579
	54,143	**11,652**
Facilities and equipment		
Rental of facilities	43,187	43,278
	97,330	**54,930**

	2010 R	2009 R

31. Rental of facilities and equipment (continued)

32. Cash used in operations

	2010 R	2009 R
(Deficit) surplus	(413,972)	16,331,130
Adjustments for:		
Depreciation and amortisation	3,368,426	3,143,147
Loss on sale of assets and liabilities	(18,502)	(361,825)
Finance costs - Finance leases	230,522	309,896
Debt impairment	497,382	932,408
Movements in provisions	303,101	-
Changes in working capital:		
Inventories	(2,084)	(11,187)
Trade and other receivables from non- exchange transactions	(433,470)	-
Consumer debtors	(2,055,500)	(3,620,934)
Other asset 3	-	(5,575,097)
Trade and other payables from exchange transactions	(426,202)	4,509,529
VAT	(583,744)	-
Unspent conditional grants and receipts	(5,247,099)	(17,216,583)
Consumer deposits	2,241	18,496
	(4,778,901)	**(1,541,020)**

33. Related parties

Relationships	
EL Looch	Mayor. In addition he provides transport services to the Baviaanskloof Municipality
D Bezuidenhout	Councillor
J Booysen	Councillor
P Daniels	Councillor
C Krisjan	Councillor
JM Vumazonke	Municipal Manager
JH Doyle	Chief Financial Officer
B Arends	Technical Services Manager
L de Beer	Community Services Manager
MA Lotter	Corporate Services Manager
Department of Agriculture and Rural Development	Related government entity
Department of Economic Development and Envirmental Affairs	Related government entity
Department of Education	Related government entity
Department of Health	Related government entity
Department of Housing	Related government entity
Department of Local Government and Traditional Affairs	Related government entity
Department of Public Works	Related government entity
Department of Roads and Transport	Related government entity
Department of Social Development	Related government entity
Department of Sports, Recreation, Arts and Culture	Related government entity
Provincial Treasury	Related government entity
Eskom	Related government entity
Cacadu District Municipality	District municipality that the Baviaanskloof Municipality is part of

Related party transactions

	2010 R	2009 R
Purchases from (sales to) related parties		
EL Loock - Transport provided	9,100	6,488
DJ Bezuidenhout - Purchase of sheep for functions	1,950	-

34. Prior period errors

Notes to the Annual Financial Statements

	2010 R	2009 R

34. Prior period errors (continued)

Property, Plant and Equipment were depreciated at the tax rates. The useful lives and residual values were not appropriately considered. (Give the nature of the error.)

The correction of the error(s) results in adjustments as follows:

	2010 R	2009 R
Statement of financial position		
Property, plant and equipment	-	(11,805,913)
Short Term Investments	-	1,887,693
Investment Property	-	1,430,500
Intangible Assets	-	8,286
Statement of financial performance		
Interest on Investments	-	1,887,693
Amortisation of intangible assets	-	3,033
Valuation Roll Expense	-	1,539,908
Other 3	-	8,824,187

35. Comparative figures

Certain comparative figures have been reclassified due to the first time adoption of Generally Recognised Accounting Practice (GRAP)

The effects of the reclassification are as follows:

	2010 R	2009 R
Statement of financial position		
Inventory	-	11,187
Trade receivables	-	(70,373)
Investment property	-	4,843,505
Property Plant and Equipment	-	88,568,595
Intangible Assets	-	8,286
Finance Lease Obligations	-	1,466,931
Provisions	-	599,078
Trade and Other Payables	-	(1,516,167)
Unspent Conditional Grants	-	1,634,842
Statutory Funds	-	5,634,238
Reserves	-	490,178
Retained Income	-	(99,434,310)
Statement of financial performance		
Revenue	-	26,621,870
Finance Costs	-	477,148
Depreciation and Amortisation	-	3,143,147
Debt Impairment	-	932,408

36. Risk management

Liquidity risk

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

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

	2010 R	2009 R

36. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2010 and 2009, the municipality's borrowings at variable rate were denominated in the Rand.

At 30 June 2010, if interest rates on Rand-denominated borrowings had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R - (2009: R -) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings; other components of equity would have been R - (2009: R -) lower/higher mainly as a result of a decrease/increase in the fair value of fixed rate financial assets classified as available-for-sale.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The municipality establishes an allowance for impairment that represents its estimate of incurred credit losses in of trade and other receivables. The municipality's consumers were reviewed for indication of impairment and certain receivables were found to be impaired and an allowance for credit loss was provided for - Refer note 10 for the reconciliation thereof.

Financial instrument	2010	2009
Cash and cash equivalents	507,482	1,360,604
Short term deposits	7,294,696	18,464,908
Trade and other receivables	5,051,404	3,850,839

The municipality does not hold any collateral as security but however, has preferential rights on collecting arrear consumer accounts when consumers' properties are placed under sale of execution.

37. Going concern

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

38. Events after the reporting date

The executives of the municipality are not aware of any significant matter or circumstance arising subsequent to the financial year end.

39. Unauthorised expenditure

Overtime	-	71,658
Fuel and Oil	-	12,596
Audit Cost	262,510	164,733
X-Rays	-	8,025
Water Research	33,755	14,736
Vehicle Maintenance	-	25,967
Capital Cost Redemption	-	10,002
Capital Cost Interest	-	10,002
Agency Commission	2,938	-
Bank Charges	28,063	-

Notes to the Annual Financial Statements

	2010 R	2009 R
39. Unauthorised expenditure (continued)		
Finance Management Grant Expenditure	232,119	-
Eskom	186,823	-
Telephone	141,408	-
Membership Fees	3,807	-
Vehicle Maintenance	110,913	-
Capital Redemption	8,738	-
Capital Interest	8,738	-
	1,019,812	**317,719**

40. Fruitless and wasteful expenditure

PAYE recon not done	-	82,000
Subsistence and travel expenses to CW	-	2,500
	-	**84,500**

Through a council resolution the amount of R84 500 has been written off

In addition to this the municipality spent R30 050 on flags to commerate the Fifa Soccer World Cup that was held in South Africa.

Baviaans Local Municipality
APPENDIX A
June 2010

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
LOAN STOCK								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
STRUCTURED LOANS								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
FUNDING FACILITY								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
DEVELOPMENT BANK OF SOUTH AFRICA								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
BONDS							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
OTHER LOANS							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
LEASE LIABILITY							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	**-**	**-**	**-**	**-**	**-**
ANNUITY LOANS							
		-	-	-	-	-	-
		-	-	-	-	-	-

Baviaans Local Municipality
APPENDIX A
June 2010

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
GOVERNMENT LOANS								
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**
TOTAL EXTERNAL LOANS								
LOAN STOCK			-	-	-	-	-	-
STRUCTURED LOANS			-	-	-	-	-	-
FUNDING FACILITY			-	-	-	-	-	-
DEVELOPMENT BANK OF SOUTH AFRICA			-	-	-	-	-	-
BONDS			-	-	-	-	-	-
OTHER LOANS			-	-	-	-	-	-
LEASE LIABILITY			-	-	-	-	-	-
ANNUITY LOANS			-	-	-	-	-	-
GOVERNMENT LOANS			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**-**	**-**	**-**	**-**	**-**

Supplementary Information

Appendix B: Analysis of property, plant and equipment

Baviaans Local Municipality

Baviaans Local Municipality

APPENDIX B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure														
Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Baviaans Local Municipality
Baviaans Local Municipality
APPENDIX B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total property plant and equipment														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Baviaans Local Municipality
Baviaans Local Municipality
APPENDIX B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undefined Difference:	(124,333)	(1,668)					(126,001)	32,399					32,399	(93,602)
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	466	-	-	-	-	-	466	(51)	-	-	-	-	(51)	415
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	466	-	-	-	-	-	**466**	**(51)**	-	-	-	-	**(51)**	**415**
Investment properties														
Investment property	3,383	1,476	(10)	-	-	-	4,849	-	-	-	-	-	-	4,849
	3,383	**1,476**	**(10)**	-	-	-	**4,849**	-	-	-	-	-	-	**4,849**
Undefined Difference:							1							1
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	466	-	-	-	-	-	466	(51)	-	-	-	-	(51)	415
Investment properties	3,383	1,476	(10)	-	-	-	4,849	-	-	-	-	-	-	4,849
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,849	**1,476**	**(10)**	-	-	-	**5,315**	**(51)**	-	-	-	-	**(51)**	**5,264**

Supplementary Information

Appendix E(1): Actual versus Budget (Revenue and Expenditure)

APPENDIX E(1)

June 2010

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	Current year 2009 Act. Bal. Rand	Current year 2009 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	2,383,034	2,450,096	(67,062)	(2.7)	
Service charges	6,624,109	7,510,745	(886,636)	(11.8)	
Levies	-	-	-	-	
Property rates - penalties imposed and collection charges	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	97,330	16,497	80,833	490.0	
Interest received (Outstanding debtors)	344,608	550,000	(205,392)	(37.3)	
Dividends received	-	-	-	-	
Income from agency services	756,575	2,562,290	(1,805,715)	(70.5)	
Public contributions and donations	-	-	-	-	
Fines	14,410	50,000	(35,590)	(71.2)	
Licences and permits	464,793	620,000	(155,207)	(25.0)	
Government grants & subsidies	25,672,785	9,901,000	15,771,785	159.3	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	

APPENDIX E(1)
June 2010

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
Revenue 1	-	-	-	-	
Revenue 2	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	-	-	-	-	
Other income 2	-	-	-	-	
Other income 3	-	-	-	-	
Other income	633,985	219,496	414,489	188.8	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	968,959	1,850,000	(881,041)	(47.6)	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	37,960,588	5,730,124	12,230,464	47.5	
Expenses					
Personnel	11,673,962)	1,925,052)	251,090	(2.1)	

APPENDIX E(1)

June 2010

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
Manufacturing - Employee costs	-	-	-	-	
Remuneration of councillors	(933,333)	(931,275)	(2,058)	0.2	
Administration	-	-	-	-	
Transfer payments	(16,380)	-	(16,380)	-	
Depreciation	(2,773,023)	-	(2,773,023)	-	
Impairment	-	-	-	-	
Amortisation	(595,403)	-	(595,403)	-	
Impairments	-	-	-	-	
Reversal of impairments	-	-	-	-	
Finance costs	(344,856)	(84,000)	(260,856)	310.5	
Debt impairment	(497,382)	(400,000)	(97,382)	24.3	
Collection costs	-	-	-	-	
Repairs and maintenance - Manufacturing expenses	-	-	-	-	
Repairs and maintenance - General	(2,825,358)	3,097,000)	271,642	(8.8)	
Repairs and maintenance - General	-	-	-	-	
Bulk purchases	(4,598,782)	3,944,360)	(654,422)	16.6	
Contracted Services	-	-	-	-	
Grants and subsidies paid	-	-	-	-	
Cost of housing sold	-	-	-	-	
General Expenses	14,134,573)	5,427,881)	(8,706,692)	160.4	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	

APPENDIX E(1)
June 2010

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

	Current year 2009 Act. Bal.	Current year 2009 Bud. Amt	Variance		Explanation of Significant Variances greater than 10% versus Budget
Other (taken out of General expenses)	-	-	-	-	
Other (taken out of General expenses)	-	-	-	-	
	38,393,052)	5,809,568)	(12,583,484)	48.8	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	18,502	-	18,502	-	
Gain or loss on exchange differences	-	-	-	-	
Fair value adjustments	-	-	-	-	
Gains or losses on biological assets and agricultural produce	-	-	-	-	
Income from equity accounted investments	-	-	-	-	
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-	
Taxation	-	-	-	-	
Discontinued operations	-	-	-	-	
	18,502	-	18,502	-	
Net surplus/ (deficit) for the year	(413,962)	(79,444)	(12,564,982)	15,816.1	

Supplementary Information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

Baviaans Local Municipality
APPENDIX C
June 2010

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

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Land and buildings						
Land (Separate for AFS purposes)	-	-	-	-	-	
Landfill Sites (Separate for AFS pursoses)	-	-	-	-	-	
Quarries (Separate for AFS purposes)	-	-	-	-	-	
Buildings (Separate for AFS purposes)	-	-	-	-	-	
	-	-	-	-	-	
Undefined Difference:						
Infrastructure						
Roads, Pavements & Bridges	-	-	-	-	-	
Storm water	-	-	-	-	-	
Generation	-	-	-	-	-	
Transmission & Reticulation	-	-	-	-	-	
Street lighting	-	-	-	-	-	
Dams & Reservoirs	-	-	-	-	-	
Water purification	-	-	-	-	-	
Reticulation	-	-	-	-	-	
Reticulation	-	-	-	-	-	
Sewerage purification	-	-	-	-	-	
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	
Waste Management	-	-	-	-	-	
Gas	-	-	-	-	-	
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	
	-	-	-	-	-	
Undefined Difference:						
Community Assets						

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

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Parks & gardens	-	-	-	-	-	
Sportsfields and stadium	-	-	-	-	-	
Swimming pools	-	-	-	-	-	
Community halls	-	-	-	-	-	
Libraries	-	-	-	-	-	
Recreational facilities	-	-	-	-	-	
Clinics	-	-	-	-	-	
Museums & art galleries	-	-	-	-	-	
Other	-	-	-	-	-	
Social rental housing	-	-	-	-	-	
Cemeteries	-	-	-	-	-	
Fire, safety & emergency	-	-	-	-	-	
Security and policing	-	-	-	-	-	
Buses	-	-	-	-	-	
	-	**-**	**-**	**-**	**-**	

Heritage assets

Other	-	-	-	-	-	
Buildings	-	-	-	-	-	
	-	**-**	**-**	**-**	**-**	

Specialised vehicles

Refuse	-	-	-	-	-	
Fire	-	-	-	-	-	
Conservancy	-	-	-	-	-	
Ambulances	-	-	-	-	-	
Buses	-	-	-	-	-	
	-	**-**	**-**	**-**	**-**	

Other assets

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

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
General vehicles	-	-	-	-	-	
Plant & equipment	-	-	-	-	-	
Computer Equipment	-	-	-	-	-	
Computer Software (part of computer equipment)	-	-	-	-	-	
Furniture & Fittings	-	-	-	-	-	
Office Equipment	-	-	-	-	-	
Office Equipment - Leased	-	-	-	-	-	
Abattoirs	-	-	-	-	-	
Markets	-	-	-	-	-	
Airports	-	-	-	-	-	
Security measures	-	-	-	-	-	
Civic land and buildings	-	-	-	-	-	
Other buildings	-	-	-	-	-	
Other land	-	-	-	-	-	
Bins and Containers	-	-	-	-	-	
Work in progress	-	-	-	-	-	
Other	-	-	-	-	-	
Other Assets - Leased	-	-	-	-	-	
	-	**-**	**-**	**-**	**-**	

Agricultural/Biological assets

Agricultural	-	-	-	-	-
Biological assets	-	-	-	-	-
	-	**-**	**-**	**-**	**-**

Intangible assets

Other	-	-	-	-	-

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

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Computers - software & programming	-	-	-	-	-	
	-	-	-	-	-	
Investment properties						
Investment property	-	-	-	-	-	
	-	-	-	-	-	
Total						
Land and buildings	-	-	-	-	-	
Infrastructure	-	-	-	-	-	
Community Assets	-	-	-	-	-	
Heritage assets	-	-	-	-	-	
Specialised vehicles	-	-	-	-	-	
Other assets	-	-	-	-	-	
	-	-	-	-	-	
Intangible assets	-	-	-	-	-	
Investment properties	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	
	-	-	-	-	-	

Supplementary Information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

Baviaans Local Municipality
APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Supplementary Information

Appendix G: Bank and Cash balances

Baviaans Local Municipality
APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
June 2010

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec	Dec	Mar	Jun	Sep	Dec		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

BAVIAANS MUNICIPALITY

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

30 JUNE 2010

	2009/10								
Description	**Original Budget**	**Budget Adjustments**	**Virement**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance**	**Actual outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**
R thousands or R	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
Financial Performance									
Property rates	2,150,096	300,000		2,450,096	2,383,034	-	-67,062	97%	111%
Service charges	10,128,176	50,000		10,178,176	6,624,109	-	-3,554,067	65%	65%
Rental of Facilities and Equipment	21,497	-		21,497	97,330	-	75,833	453%	453%
Interest Earned - External investments	2,200,000	-300,000		1,900,000	968,959	-	-931,041	51%	44%
Interest Earned - Outstanding debtors	500,000	-		500,000	344,608	-	-155,392	69%	69%
Fines	50,000	-		50,000	14,410	-	-35,590	29%	29%
Licences and Permits	550,000	70,000		620,000	464,792	-	-155,208	75%	85%
Income for Agency Services	-	-		-	756,575	-	756,575		
Government Grants and Subsidies	12,566,146	297,144		12,863,290	24,743,459	-	11,880,169	192%	197%
Other own revenue	1,247,065	-		1,247,065	652,487	-	-594,578	52%	52%
Total Revenue (excluding capital transfers and contributions)	29,412,980	417,144		29,830,124	37,049,763	-	7,219,639		
Employee costs	11,820,370	264,952		12,085,322	11,655,829	-	-429,493	96%	99%
Remuneration of councillors	701,721	-44,520		657,201	951,471	-	294,270	145%	136%
Debt impairment	-	-		-	-	-	-		
Depreciation & asset impairment	-	-		-	-	-	-		
Finance charges	42,000	-		42,000	344,856	8,738	302,856	821%	821%
Materials and bulk purchases	4,204,361	190,000		4,394,361	4,598,782	186,823	204,421	105%	109%
Repairs & Maintenance	2,828,401	184,599		3,013,000	2,741,801	110,913	-271,199	91%	97%
Transfers and grants	-	-		-	-	-	-		
Other expenditure	9,251,448	-438,675		8,812,773	17,006,245	713,338	8,193,472	193%	184%
Total expenditure	28,848,301	156,356		29,004,657	37,298,984	1,019,812	8,294,327		
Surplus/ (Deficit)	**564,679**	**260,788**		**825,467**	**-249,221**	**-1,019,812**	**-1,074,688**		
Transfers recognised - capital	42,000	-		42,000		-	-42,000		
Contributions recognised - capital & contributed assets	110,000	450,000		560,000		-	-560,000		
Surplus/(Deficit) after capital transfers & contributions	716,679	710,788		1,427,467	-249,221	-1,019,812	-1,676,688		
Share of surplus/(deficit) of associate	-	-		-	-	-	-	-	-
Surplus/(Deficit) for the year	716,679	710,788		1,427,467	-249,221	-1,019,812	-1,676,688		

<u>Capital expenditure & funds sources</u>									
Capital expenditure									
Transfers recognised - capital		-					-		
Public contributions & donations	550,000	-		550,000			-550,000		
Borrowing		-					-		
Internally generated funds		-					-		
Total sources of capital funds									
<u>Cash flows</u>									
Net cash from (used) operating							-		
Net cash from (used) investing							-		
Net cash from (used) financing							-		
Cash/cash equivalents at the year end									

BAVIAANS MUNICIPALITY

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

Description	2009/2010 Actual	2009/2010 Budget	2009/2010 Variance	2009/2010 Variance	Explanation of Significant Variances greater than 5% versus Budget
	R	R	R	%	
Infrastructure	**5,309,690**	**24,983,452**	**-19,673,762**	**-371%**	
Finance and Administration		1,816,000	-1,816,000		
Sanitation		2,600,000	-2,600,000		
Water		4,431,408	-4,431,408		
Electricity		6,748,000	-6,748,000		
Housing		9,388,044	-9,388,044		
Community	**6,112,091**	**2,463,790**	**3,648,301**	**60%**	
Public Works		2,363,790	-2,363,790		
Parks		100,000	-100,000		
Buildings	**9,387,753**	**-**	**9,387,753**	**100%**	
Total	20,809,534	27,447,242	-16,025,461		

BAVIAANS MUNICIPALITY

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

Historical cost									
Description	**Asset code**	**Opening balance**	**Additions**	**Transfers**	**Disposals**	**Depreciation**	**Closing Balance**	**Carrying value**	**Budget Additions**
Land and Buildings									
Land		268,326	-	-	-	-	268,326	268,326	-
Buildings		9,387,753	-	-	-	-	9,387,753	9,387,753	-
		9,656,079	-	-	-		9,656,079	9,656,079	-
Infrastructure		44,269,191	5,309,690	-	-	2,773,023	46,805,858	46,805,858	-
		44,269,191	5,309,690	-	-	2,773,023	46,805,858	46,805,858	-
Community Assets		6,112,091	1,668,459	-	-	-	7,780,550	7,780,550	-
		6,112,091	1,668,459	-	-	-	7,780,550	7,780,550	-
Other equipment		26,788,967	671,440	-	-	-	27,460,407	27,460,407	-
		26,788,967	671,440	-	-	-	27,460,407	27,460,407	-
Finance Leased Assets		1,294,618	385,581	-	-	418,594	1,261,605	1,261,605	-
		1,294,618	385,581	-	-	418,594	1,261,605	1,261,605	-
Other Assets									
Land Fill Site		590,000	195,290	-	-	147,500	637,790	637,790	-
		590,000	195,290	-	-	147,500	637,790	637,790	-
TOTAL		88,710,946	8,230,460	-	-	3,339,117	93,602,289	93,602,289	-

BAVIAANS MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

30 JUNE 2010

		Balance at 30/06/2009	Received during the year	Redeemed or written off during the year	Balance at 30/06/2010
External loans	Redeemable				
Issued					
ABSA Bank					
2005 - R 376 585 @ 11.00%	2010	101,921	-	95,214	6,707
Sub Total		101,921	-	95,214	6,707
Finance lease obligation					
Finance leases		1,466,931	237,890	230,522	1,474,299
		1,466,931	237,890	230,522	1,474,299
TOTAL		**1,568,852**	**237,890**	**325,736**	**1,481,006**

BAVIAANS MUNICIPALITY

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

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Receipts	Expenditure	Compliance to Revenue Act
CIP	CACADU	-	185,382	Yes
Finance Management Grant	National Treasury	1,000,000	1,009,734	Yes
Fullarton Fencing	CACADU	72,349	72,349	Yes
Integrated Development Plan - Cacadu	CACADU	140,336	80,076	Yes
Local Economic Development Funds Cacadu	CACADU	396,000	20,512	Yes
MIG	National Treasury	8,368,566	11,018,895	Yes
MSIG	National Treasury	400,000	400,000	Yes
Tourism Hospitality Training	CACADU	188,754	188,754	Yes
Valuation of Property	Province	-	2,135,646	Yes
Water & Sanitation Policy	Departement of Water Affairs	8,860	96,579	Yes
Water Services Asset	Departement of Water Affairs	425,000	1,039,035	Yes
Total Grants and Subsidies		10,999,865	16,246,961	