

**FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED**

**FINANSIELE STATE
VIR DIE BOEKJAAR GEEINDIG**

**INGXELO YEZEMALI
YOKUPHELA KONYAKA**



LUKHANJI MUNICIPALITY

30 JUNE 2010

Annual Financial Statements

for

LUKHANJI MUNICIPALITY

for the year ended 30 June: **2010**

Province:

Eastern Cape

AFS rounding:

R (i.e. only cents)

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LUKHANJI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General information

Members of the Council

Councillor M Nontsele
Councillor M B Snyders
Councillor N G Xoseni
Councillor B M Adoonsi
Councillor A E Hulushe
Councillor N B Keva
Councillor T M Jocki
Councillor M Z Gwantsu
Councillor T V Mpolo

Mayor
Speaker
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee

MEMBERS OF THE PART TIME COUNCIL

Councillor Z A Beje
Councillor J N Birch
Councillor M X Blekiwe
Councillor A V Bokuva
Councillor T Booi
Councillor N H Breakfast
Councillor C Z Deliwe
Councillor V Dondolo
Councillor F N Duda
Councillor Z A Dywili
Councillor T Fikizolo
Councillor S L Gaju
Councillor N G Gatyeni
Councillor M M Gongqa
Councillor T M Gxaba
Councillor J M Irlam
Councillor L E James
Councillor E K Jikele
Councillor K H Kedema
Councillor T E Madubedube
Councillor J J Makasi
Councillor N M Malmani
Councillor M Manggangwana
Councillor N L Maqungo
Councillor G S Mateta
Councillor P X Mbasana
Councillor N O Mfenyana
Councillor N Mfundisi
Councillor N P Mnyengeza
Councillor G N Mrwebi
Councillor S E Mvana
Councillor S S Ndamane
Councillor D X Ndiri
Councillor S N Ndiebe
Councillor Z Pambani
Councillor P M X Sibefu
Councillor L L Sikweyiya
Councillor N E Simayile
Councillor N Sixabayi
Councillor E F Smuts
Councillor F S Sopapaza
Councillor E N Tsotetsi
Councillor L N Twaku
Councillor N C Twalo
Councillor N T Xulubana

Municipal Manager

P BACELA

Chief Financial Officer

I.S. SCHOEMAN

Grading of Local Authority

Category 4

Auditors

Auditor-General

Bankers

ABSA BANK

Registered Office:

Queenstown

Physical address:

70 Cathcart Road
QUEENSTOWN
5320

Postal address:

Private Bag X7111
QUEENSTOWN
5320

Telephone number:

045-807 2773

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budget&treasury@awe.co.za

LUKHANJI MUNICIPALITY
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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 49, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 25 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: P BACELA
31 August 2010

LUKHANJI MUNICIPALITY
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LUKHANJI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Current assets			
Cash and cash equivalents	1	108 029 501	73 373 654
Trade and other receivables from exchange transactions	2	38 207 352	43 572 094
Other receivables from non-exchange transactions	3	84 700 871	40 094 553
VAT receivable	12	103 919 599	69 048 461
Non-current assets			
Investments	5	732 923	706 820
Property, plant and equipment	6	206 710 415	207 296 373
Investment property	8	-	-
Biological assets	9	-	-
Total assets		542 300 660	434 091 955
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	10	28 138 352	19 864 831
Consumer deposits	11	7 602 712	7 383 406
VAT payable	12	100 166 178	66 888 976
Current provisions	13	1	1
Current portion of unspent conditional grants and receipts	14	36 630 946	23 979 180
Current portion of borrowings	15	1 005 833	895 223
Current portion of finance lease liability	15	3 270 023	3 559 300
Current portion of Post retirement medical aid	44	1 428 804	962 970
Non-current liabilities			
Non-current borrowings	15	2 500 033	3 532 626
Non-current finance lease liability	15	4 995 714	8 270 872
Defined benefit plan obligations	44	47 137 928	49 020 219
Total liabilities		232 876 525	184 357 602
Net assets		309 424 135	249 734 353
NET ASSETS			
Accumulated surplus / (deficit)		309 424 135	249 734 353
		309 424 135	249 734 353

LUKHANJI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	17	33 439 584	27 579 197
Property rates - penalties imposed and collection charges	17	1 079 950	786 312
Service charges	18	105 972 442	86 946 615
Rental of facilities and equipment	19	1 463 688	1 550 478
Interest earned - external investments	20	6 720 539	4 720 833
Interest earned - outstanding receivables	21	15 716 759	18 304 958
Fines		602 269	230 611
Licences and permits		7 777 380	6 481 432
Government grants and subsidies	22	121 847 213	102 199 339
Other income	23	35 359 067	25 222 477
Total revenue		329 978 889	274 022 253
Expenses			
Employee related costs	24	77 415 084	76 157 890
Remuneration of councillors	25	11 374 104	11 858 247
Bad debts		42 759 776	31 019 365
Depreciation and amortisation expense	26	9 285 084	9 056 940
Repairs and maintenance		6 297 596	4 677 983
Finance costs	27	1 609 748	2 113 644
Bulk purchases	28	72 255 114	51 183 843
Contracted services	29	4 853 605	1 805 859
Grant in aid		-	144 385
Conditional Grants operating expenses	30	24 027 636	40 677 444
General expenses	31	16 208 126	11 282 718
Total expenses		266 085 872	239 978 319
Gain / (loss) on sale of assets	32	3 254 119	1 721 368
Post employment medical aid service cost	44	-	(2 648 014)
Post employment medical aid interest cost	44	-	(4 350 787)
Surplus / (deficit) for the period		67 147 137	28 766 500

LUKHANJI MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2010

	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R
Balance at 30 June 2009	251 050 590	251 050 590
Correction of prior period error	39 (1 316 237)	(1 316 237)
Restated balance	249 734 353	249 734 353
Depreciation for 2008/09 on PPE identified.	26 (9 056 940)	(9 056 940)
Reversal of provision for unused electricity	13 1 599 586	1 599 586
Surplus / (deficit) for the period	67 147 137	67 147 137
Balance at 30 June 2010	309 424 135	309 424 135

LUKHANJI MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from government grants and subsidies and other income		260 417 028	166 320 344
Cash paid to suppliers and employees		(226 377 112)	(158 014 813)
Cash generated from/(utilised by) operations	35	34 039 915	8 305 530
Investment Interest		22 437 298	23 025 791
Finance cost		(1 609 748)	(2 113 644)
Net cash flows from operating activities		54 867 465	29 217 677
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(17 756 067)	
Proceeds from sale of fixed assets		3 254 119	1 721 368
Net movements from long term investments		(26 103)	(42 999)
Movement on long term receivable			5 030
Net cash flows from investing activities		(14 528 051)	1 683 399
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movements from borrowings		(921 983)	(820 561)
Consumer deposits		219 306	296 600
Net movements from finance lease liability		(3 564 434)	(3 287 542)
Payments on Post retirement benefit		(1 416 456)	(884 031)
Net cash flows from financing activities		(5 683 566)	(4 695 533)
Net increase / (decrease) in net cash and cash equivalents		34 655 847	26 205 543
Net cash and cash equivalents at beginning of period		73 373 654	47 168 111
Net cash and cash equivalents at end of period	36	108 029 501	73 373 654

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The municipality adopted Directive 4 issued by the Accounting Standards Board in March 2009 regarding the value of assets. The municipality will be fully compliant with the applicable GRAP statements by 30 June 2011.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements. Disclosure in terms of GRAP 24 has been made, however the standard has not been adopted in full.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 USE OF ESTIMATES

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice 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.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

1.6 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 21: Impairment of non cash generating assets
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 26: Impairment of Cash generating assets
GRAP 103 Heritage Assets - issued July 2008

GRAP 18: Segment Reporting

Lukhanji Municipality consists of the following areas: Executive & Council, Finance & Administration, Planning & Development, Health, Community & Social Services, Public Safety, Sport & Recreation, Waste Management, Road Transport, Electricity and other. If the reporting is to be done accordingly or ringfencing is to be introduced the financial systems will have to be adjusted to accommodate these disclosures.

GRAP 21: Impairment of non cash generating assets

A large portion of Lukhanji assets are non cash generating of nature and applications of this standard will have an effect on the presentation of the assets, but as there are no real major changes as to applying IPSAS 21, the impact is not anticipated to be severe.

GRAP 23: Revenue from Non-Exchange transactions (Taxes and Transfers)

This standard has been practically adopted and applied as far as it relates to grants. No problems are anticipated to introduce this standard.

GRAP 24: Presentation of budget information in the financial statements

The effect on the financial statements of introducing this standard does not seem to be serious as most of it is already applied or the information is available.

GRAP 26: Impairment of Cash generating assets

The biggest problem here seem to be the identification of such assets as the definitions differ from IAS 36 and the GRAP 21 statement. The application does not differ greatly from IAS 36. No calculation was done as yet as the transitional provision of Directive 4 was adopted by Lukhanji Municipality.

GRAP 103: Heritage assets

No problems are anticipated to introduce this standard. Lukhanji Municipality has adopted the transitional provisions as per Directive 4 and the value of assets will only be introduced in the coming financial periods.

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The municipality has applied the transitional provision, within GRAP17 - Property, plant and equipment, as it relates to measurement and therefore the cost of the assets have been recorded at provisional amounts, namely at the cost recorded on the previous basis of accounting or at zero. There has been no subsequent measurement of property, plant and equipment and therefore no depreciation has been accounted for in the annual financial statements. The municipality has till the end of June 2011 to measure property, plant and equipment in terms of GRAP17.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be a provisional amount.

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 the provisional amount.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

The municipality has applied the transitional provisions within GRAP17 - Property, plant and equipment and therefore there has been no subsequent measurement. The municipality is in the process of ascertaining values for the assets and this is required to be performed by 30 June 2011.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

The municipality brought the Roads and Electricity Infrastructure assets to book during the 2009/10 financial year and depreciation have been calculated from 1 July 2008. As the municipality has applied the transitional provision within GRAP17 - property, plant and equipment as relates to measurement, depreciation has been accounted for in the annual financial statements. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	25 Years	Buildings	50 Years
Pedestrian Malls	25 Years	Specialist vehicles	15 Years
Electricity	40 Years	Other vehicles	5 - 7 Years
		Office equipment	3 - 7 Years
		Furniture and fittings	5 - 7 Years
		Watercraft	
		Bins and containers	5 Years
Community		Specialised plant and equipment	10 Years
Buildings	50 Years	Other items of plant and equipment	3 - 5 Years
Recreational Facilities	20 Years	Landfill sites	10 - 50 Years
Security		Quarries	
Halls	50 Years	Emergency equipment	3 - 7 Years
Libraries	50 Years	Computer equipment	3 Years
Parks and gardens	20 Years		
Other assets			
Heritage assets			
Buildings			
Paintings and artifacts			

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

Finance lease assets

Office equipment	5 Years
Other assets	

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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.

2.5 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

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

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

3.3 AMORTISATION AND IMPAIRMENT

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

Computer software	3 Years
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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 municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) 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 operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired 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.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property	50 Years
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4.3 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

5 NON-CURRENT ASSETS HELD FOR SALE

5.1 INITIAL RECOGNITION

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

5.2 SUBSEQUENT MEASUREMENT

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

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

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

6 INVENTORIES

6.1 INITIAL RECOGNITION

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

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

6.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

7 FINANCIAL INSTRUMENTS

Lukhanji Municipality classifies financial instruments, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

7.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value. Financial assets and financial liabilities are recognised on the Statement of Financial Position when Lukhanji Municipality becomes party to the contractual provision of the instrument.

The municipality does not offset a financial asset and a financial liability unless a legally enforceable right to set off the recognised amounts currently exist; and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

7.1.1 FAIR VALUE METHODS AND ASSUMPTIONS

The fair values of financial instruments are determined as follows:

The fair values of quoted investments are based on the 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 modules making maximum use of the market inputs and relying as little as possible on entity-specific inputs.

7.1.2 THE EFFECTIVE INTEREST RATE METHOD

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

7.1.3 AMORTISED COST

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

7.1.4 INITIAL MEASUREMENT

Financial instruments are initially measured at fair value plus in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Where the effect of any extended payment terms is not material no adjustments are made.

The fair value of a financial instrument is normally the transaction price, but may be affected by other factors which the municipality takes into account when measuring fair value.

Regular way purchases or sales are recognised using trade date accounting. All other financial instruments are recognised when the municipality becomes a party to the contract.

7.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised as loans and receivables. Financial liabilities are categorised as financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

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7.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

7.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of 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. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

7.2.4 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 cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

7.2.5 DERECOGNITION

The municipality derecognises a financial asset when and only when:

The rights to the cash flows from the financial asset expire; or

It transfers the financial asset and the transfer qualifies for derecognition. The municipality firstly needs to evaluate the extent to which it retains the risks and rewards of ownership of the financial asset.

The municipality transfer a financial asset if, and only if, it either:

Transfers the contractual rights to receive the cash flows of the financial asset; or

Retains the contractual rights to receive the cash flows of the financial asset.

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it extinguished - i.e. when the obligation specified in the contract is discharged or cancelled or expires.

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An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) are accounted for as an extinguishment if the original financial liability and the recognition of a new liability.

The municipality recognises the difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

8 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

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

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

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

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

the business or part of a business concerned;

- the principal locations affected;

- the location, function, and approximate number of employees who will be compensated for terminating their services;

- the expenditures that will be undertaken; and

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

12 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the financial statements.

13 LEASES

13.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

13.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

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

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

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

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

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

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

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

LUKHANJI MUNICIPALITY
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for the year ending 30 June 2010

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution 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.

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.

Actuarial gains or losses are recognised in the statement of financial performance in the period in which it occurs and applies to all defined benefit plans. The "corridor" method is not recognised.

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 reduced by the fair value of plan assets.

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

LUKHANJI MUNICIPALITY
ACCOUNTING POLICIES
for the year ending 30 June 2010

17 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the completion of a physical proportion of contract work done.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

18 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010	2009
	R	R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	26 992	26 992
Cash at bank	1 081 152	9 526 466
Call deposits	106 921 357	63 820 196
	108 029 501	73 373 654
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank Limited - Queenstown Branch: Account Number 405-281-9154	11 804 175	15 188 096
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-854	571 646	4 033 282
ABSA Bank Limited - Queenstown Branch: Account Number 405-392-8308	319 707	664 546
Standard Bank - Queenstown Branch : Account Number 38-850-5362 - 0001	13 583	13 546
Standard Bank - Queenstown Branch : Account Number 08-264-6066	16 588	17 611
Cash book balance at beginning of year	9 526 466	3 832 214
Cash book balance at end of year	1 081 152	9 526 466
Bank statement balance at beginning of year	19 917 081	11 071 379
Bank statement balance at end of year	12 725 699	19 917 081
<u>Savings Account</u>		
ABSA Bank Limited - Queenstown Branch: Account Number 909-044-9293	106 703 205	63 639 149
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1802	38 982	37 315
ABSA Bank Limited - Queenstown Branch: Account Number 206-068-1577	43 709	41 951
ABSA Bank Limited - Queenstown Branch: Account Number 204-601-2562	8 839	8 204
ABSA Bank Limited - Queenstown Branch: Account Number 206-066-7315	5 369	5 034
ABSA Bank Limited - Queenstown Branch: Account Number 2160-143-862	121 252	112 671
RSA Internal Registered Bonds - No 23242	18 500	18 500
Cash book balance at beginning of year	63 820 196	43 311 505
Cash book balance at end of year	106 921 357	63 820 196
Bank statement balance at beginning of year	63 862 824	43 351 117
Bank statement balance at end of year	106 939 857	63 862 824
<u>Cash on hand</u>	26 992	26 992
Total cash and cash equivalents	108 029 501	73 373 654
Total bank overdraft	-	-

The carrying amount of Cash and cash equivalents approximates their fair value due to their short-term maturity.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances R	2010	2009
		R	R
<u>Trade receivables</u> as at 30 June 2010		Provision for Doubtful Debts R	Net Balance R
Service debtors			
Rates	18 085 288	(13 007 886)	5 077 402
Electricity	12 678 159	(5 782 314)	6 895 845
Refuse	42 112 100	(39 032 358)	3 079 742
Combined receivables and arrears interest	103 568 175	(80 413 812)	23 154 363
Total	176 443 721	(138 236 369)	38 207 352

as at 30 June 2009

Service debtors			
Rates	8 116 500	(6 096 805)	2 019 695
Electricity	10 373 037	(4 205 740)	6 167 297
Refuse	35 096 234	(30 630 936)	4 465 298
Combined receivables and arrears interest	94 766 935	(63 847 131)	30 919 804
Total	148 352 706	(104 780 612)	43 572 094

Rates: Ageing

Current (0 – 30 days)	2 683 845	1 026 168
31 - 60 Days	1 413 083	476 342
61 - 90 Days	980 473	231 859
91 - 120 Days	13 007 886	6 382 131
Total	18 085 288	8 116 500

Electricity, Water and Sewerage: Ageing

Current (0 – 30 days)	4 002 978	3 903 395
31 - 60 Days	1 828 839	1 772 292
61 - 90 Days	1 064 028	538 961
91 - 120 Days	5 782 314	4 158 389
Total	12 678 159	10 373 037

Summary of Debtors by Customer Classification

	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2010			
Current (0 – 30 days)	13 384 734		
31 - 60 Days	6 576 515		
61 - 90 Days	4 797 371		
91 - 120 Days	151 685 102		
Sub-total	176 443 721	-	-
Less: Provision for doubtful debts	(138 236 369)		
Total debtors by customer classification	38 207 352	-	-
as at 30 June 2009			
Current (0 – 30 days)	10 190 675		
31 - 60 Days	4 825 604		
61 - 90 Days	2 944 004		
91 - 120 Days	130 392 422		
Sub-total	148 352 706	-	-
Less: Provision for doubtful debts	(104 780 612)		
Total debtors by customer classification	43 572 094	-	-

Currently the financial system does not allow for separation of debtors by category.

Reconciliation of the doubtful debt provision

Balance at beginning of the year	104 780 612	88 628 200
Contributions to provision	33 455 758	16 152 412
Balance at end of year	138 236 369	104 780 612

The carrying amount of trade receivables approximates their value due to their short-term maturity.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Deposits	61 168	61 168
Chris Hani Agency account	55 473 800	30 431 409
Other debtors	* 29 165 903	9 601 977
Total Other Debtors	84 700 871	40 094 553

* Financial asset classified as loans and receivables. No amortisation was applied. Fair value was estimated at cost.

The carrying amount of trade receivables approximates their value due to their short-term maturity.

The municipality has raised a debtor for Chris Hani District Municipality for the amount of R77 749 930 which comprises R55 473 800 reflected above and R22 276 130 reflected in other debtors. This debtor relates to the agency agreement between Lukhanji Municipality and Chris Hani District Municipality. This amount has not been confirmed by Chris Hani District Municipality at year end.

4 CURRENT INVESTMENTS

Deposits	106 921 357	63 820 196
	106 921 357	63 820 196
Current provisions	1	1
Current portion of unspent conditional grants and receipts	36 630 946	23 979 180
Current portion of Post retirement medical aid	9 616 897	962 970
Leave Pay	12 666 293	11 045 805
Creditors Provision	45 000 000	26 232 655
Surplus	3 007 219	1 599 586
	106 921 357	63 820 196

5 NON CURRENT INVESTMENTS

Financial Instruments

Fixed Deposits	714 423	688 320
Listed Investments	18 500	18 500
	732 923	706 820

Pledged Investments - NONE

These investments are classified as Loans and Receivables and the fair value approximates their carrying amounts.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2009	-	-	184 746 097	-	11 020 295	16 085 274	211 851 665
Cost/Revaluation	-	-	184 746 097	-	11 020 295	16 085 274	211 851 665
Correction of error (note 41)	-	-	-	-	-	-	-
Change in accounting policy (note 40)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Acquisitions	-	-	12 900 002	523 429	4 332 636	-	17 756 067
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	-	(11 323 488)	(1 621)	(7 016 915)	-	(18 342 024)
Carrying value of disposals / Adjustments	(81 675 560)	(11 320 666)	(28 248 058)	(198 948)	(11 106 203)	(8 392 149)	(140 941 584)
Cost/Revaluation	(81 675 560)	(28 027 730)	(123 941 399)	(279 152)	(15 442 885)	(12 564 711)	(261 931 437)
Accumulated depreciation and impairment losses	-	16 707 064	95 693 342	80 204	4 336 682	4 172 562	120 989 854
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Other movements*	-	-	184 746 097	-	11 020 295	8 009 418	203 775 810
as at 30 June 2010	-	-	186 322 611	521 808	8 336 016	11 529 981	206 710 415
Cost/Revaluation	-	-	197 646 099	523 429	15 352 931	11 529 981	225 052 439
Accumulated depreciation and impairment losses	-	-	(11 323 488)	(1 621)	(7 016 915)	-	(18 342 024)

*Other movements consist of identified assets that were taken on the Fixed asset register at prior year cost and nominal value of R0 and R1.

The municipality decided to adopt paragraph 77 of Directive 4 issued by the Accounting Standards Board in March 2009 regarding the values on property, plant and equipment. The municipality will be fully compliant with GRAP 17 by 30 June 2011. The municipality has included values for Roads and Electricity assets as valuations were received from Service Providers and depreciation were subsequently calculated as well.

Refer to Appendix B for more detail on property, plant and equipment

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

6.2 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R
as at 1 July 2008	81 675 560	11 320 666	28 248 058	198 948	11 106 203	8 392 149	140 941 584
Cost/Revaluation	81 675 560	28 027 730	123 941 399	279 152	15 442 885	12 564 711	261 931 437
Correction of error (note 41)	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	(16 707 064)	(95 693 342)	(80 204)	(4 336 682)	(4 172 562)	(120 989 854)
Acquisitions	-	-	-	-	-	3 520 562	3 520 562
Capital under Construction	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Carrying value of disposals	(81 675 560)	(11 320 666)	(28 248 058)	(198 948)	(11 106 203)	(8 392 149)	(140 941 584)
Cost/Revaluation	(81 675 560)	(28 027 730)	(123 941 399)	(279 152)	(15 442 885)	(12 564 711)	(261 931 437)
Accumulated depreciation and impairment losses	-	16 707 064	95 693 342	80 204	4 336 682	4 172 562	120 989 854
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
*Other movements / Take on's	-	-	184 746 097	-	11 020 295	8 009 418	203 775 810
as at 30 June 2009	-	-	184 746 097	-	11 020 295	11 529 981	207 296 372
Cost/Revaluation	-	-	184 746 097	-	11 020 295	11 529 981	207 296 372
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-

*Other movements consist of identified assets that were taken on the Fixed asset register at prior year cost and nominal value of R0 and R1.

Refer to Appendix B for more detail on property, plant and equipment

6.3 Property, plant and equipment pledged as security

No items of PPE were pledged as security

7 INTANGIBLE ASSETS

The municipality decided to adopt paragraph 112 of Directive 4 issued by the Accounting Standards Board in March 2009 regarding the values on intangibles assets. The municipality will be fully compliant with GRAP 102 by 30 June 2011.

No intangible assets were separately disclosed and valued.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

8 INVESTMENT PROPERTY

8.1 Reconciliation of carrying value	Investment property R	Investment property R	Total R
as at 1 July 2009	-	-	-
Cost			-
Correction of error (note 41)			-
Change in accounting policy (note 40)			-
Accumulated depreciation and impairment losses			-
Acquisitions	-	-	-
Depreciation			-
Carrying value of disposals	-	-	-
Cost			-
Accumulated depreciation			-
Impairment loss/Reversal of impairment loss		-	-
Transfers	-		-
Other movements			-
as at 30 June 2010	-	-	-
Cost			-
Accumulated depreciation and impairment losses			-

8.2 Reconciliation of carrying value	Investment property R	Investment property R	Total R
as at 1 July 2008	-	-	-
Cost			-
Correction of error (note 41)			-
Change in accounting policy (note 40)			-
Accumulated depreciation and impairment losses			-
Acquisitions	-	-	-
Depreciation			-
Carrying value of disposals	-	-	-
Cost			-
Accumulated depreciation			-
Impairment loss/Reversal of impairment loss		-	-
Transfers	-		-
Other movements			-
as at 30 June 2009	-	-	-
Cost			-
Accumulated depreciation and impairment losses			-

8.3 Details of property:

Investment property - Flats, Houses

Normal rental agreements entered between lessor and lessee

Purchase price: date

Additions since purchase

Capitalised expenditure

	-
	-

Investment property - Offices

Normal rental agreements entered between lessor and lessee

Purchase price: date

Additions since purchase

Capitalised expenditure

	-
	-

8.4 Rental income from investment property

Direct operating expenses from rental generating property

Direct operating expenses from non-rental generating property

The municipality decided to adopt paragraph 67 of Directive 4 issued by the Accounting Standards Board in March 2009 regarding the values on land and properties. The municipality will be fully compliant with GRAP 16 by 30 June 2011. No investment property assets were separately disclosed and valued.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

9 BIOLOGICAL ASSETS

9.1 Reconciliation of Carrying Value	Trees in plantation R	Maize R	Wheat R	Sheep R	Dairy Cattle R	Other Assets R	Total R
as at 1 July 2009	-	-	-	-	-	-	-
Cost/Valuation							-
Correction of error (note 41)							-
Change in accounting policy (note 40)							-
Accumulated depreciation and impairment losses							-
Acquisitions							-
Decrease due to harvest/sales							-
Depreciation							-
Gains/losses from changes in fair value							-
Carrying value of disposals							-
Cost/Valuation							-
Accumulated depreciation and impairment losses							-
Impairment loss/Reversal of impairment loss							-
Transfers							-
Other movements*							-
as at 30 June 2010	-	-	-	-	-	-	-
Cost/Valuation							-
Accumulated depreciation and impairment losses							-

*Other movements consist of identified assets that were taken on the Fixed asset register at prior year cost and nominal value of R0 and R1.

9.2 Reconciliation of Carrying Value	Trees in plantation R	Maize R	Wheat R	Sheep R	Dairy Cattle R	Other Assets R	Total R
as at 1 July 2008	-	-	-	-	-	-	-
Cost/Valuation							-
Correction of error (note 41)							-
Change in accounting policy (note 40)							-
Accumulated depreciation and impairment losses							-
Acquisitions							-
Decrease due to harvest/sales							-
Depreciation							-
Gains/losses from changes in fair value							-
Carrying value of disposals							-
Cost/Valuation							-
Accumulated depreciation and impairment losses							-
Impairment loss/Reversal of impairment loss							-
Transfers							-
Other movements*							-
as at 30 June 2009	-	-	-	-	-	-	-
Cost/Valuation							-
Accumulated depreciation and impairment losses							-

*Other movements consist of identified assets that were taken on the Fixed asset register at prior year cost and nominal value of R0 and R1.

The municipality decided to adopt paragraph 67 of Directive 4 issued by the Accounting Standards Board in March 2009 regarding the values on biological assets. The municipality will be fully compliant with GRAP 101 by 30 June 2011.

The municipality owns a game reserve, but no biological assets were separately disclosed and valued.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
10 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	9 096 939	2 168 867
Advance Payments	3 567 295	4 140 747
Advance Payments : Pre Paid Electricity	1 578 414	1 599 586
Staff leave accrual	12 666 293	11 045 805
Other creditors	1 229 411	909 826
Total creditors	28 138 352	19 864 831

* Financial instruments classified as financial liabilities at amortised cost.

The fair value of trade and other payables approximates their carrying amounts.

11 CONSUMER DEPOSITS

Electricity	7 602 712	7 383 406
Total consumer deposits	7 602 712	7 383 406

Deposits do not accrue interest.

12 VAT PAYABLE

VAT payable	100 166 178	66 888 976
-------------	-------------	------------

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

12 VAT RECEIVABLE

VAT receivable	103 919 599	69 048 461
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VAT is claimable on the receipts basis. VAT is claimed from SARS only once payment is made on a tax invoice.

13 PROVISIONS

Landfill sites	1	1
Total Provisions	1	1

**Rehabilitation of
Landfill Sites**

as at 1 July 2009	1	1
Transfer from non-current	-	-
as at 30 June 2010	1	1

Advanced Payments for unused electricity:

Balance at the beginning of year	1 599 586	1 012 512
Decrease in carrying amount of provision due to payments	-	-
Increase in carrying amount due to remeasurement	1 578 414	1 599 586
Unused amounts reversed	(1 599 586)	(1 012 512)
Balance at the end of year	1 578 414	1 599 586

The municipality will not be reimbursed for any expenses relating to the provision for unused electricity.

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Unspent Conditional Grants from other spheres of Government

MIG Grants	19 723 089	6 430 375
Other	14 977 769	16 312 118
Provincial	1 603 734	723 184

14.2 Other Unspent Conditional Grants and Receipts

Public contributions	326 355	513 502
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Total Unspent Conditional Grants and Receipts	36 630 946	23 979 180
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Non-current unspent conditional grants and receipts	-	-
Current portion of unspent conditional grants and receipts	36 630 946	23 979 180

See Note 22 for reconciliation of grants and receipts. These amounts are invested until utilised.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
15 BORROWINGS		
Annuity Loans	3 505 866	4 427 849
Finance Leases	8 265 737	11 830 171
	11 771 603	16 258 020
Less : Current portion transferred to current liabilities	(4 275 856)	(4 454 522)
Local Registered Stock Loans	-	-
Annuity Loans	(1 005 833)	(895 223)
Finance Leases	(3 270 023)	(3 559 300)
Non current portion: Annuity Loans	2 500 033	3 532 626
Non current portion: Finance Leases	4 995 714	8 270 872
Total borrowings	7 495 748	11 803 498

Annuity loans are classified as financial liabilities at amortised cost.

Refer to Appendix A for more detail on borrowings.

16 FINANCE LEASE LIABILITY

	Minimum lease payment R	Discounted payments R	Future finance charges R
2010			
Amounts payable under finance leases			
Within one year	4 090 535	3 847 116	243 419
Within two to five years	5 624 447	4 757 970	866 477
	9 714 982	8 605 086	1 109 896
2009			
Amounts payable under finance leases			
Within one year	4 777 263	4 492 978	284 285
Within two to five years	9 714 982	8 218 336	1 496 646
	14 492 245	12 711 314	1 780 931

The average lease term is 5 years and the average effective borrowing rate is between 9.0% and 12.84%. Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

17 PROPERTY RATES

Actual		
Residential	24 529 904	17 535 327
Commercial	6 391 456	4 025 296
Light Industries	-	2 337 878
State	889 959	1 860 009
Agricultural	58 865	4 559
Educational	1 569 400	1 777 583
Municipality	-	38 544
Total property rates	33 439 584	27 579 197
Property rates - penalties imposed and collection charges	1 079 950	786 312
Total	34 519 533	28 365 509

Valuations

Residential	2 721 124 251	485 551 040
Commercial	951 512 873	303 543 908
State	166 347 389	95 159 631
Education	292 097 625	91 182 672
Agricultural	120 113 248	246 940
Municipal	732 689 636	1 774 740
Total Property Valuations	4 983 885 022	977 458 931

Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations.

The municipality implemented the new property rates valuations from 1 July 2009 in terms of the new property rates act. The following tariffs were charged to the various categories in terms of the policy of the council. The tariff used for 2008 amounted R2.1718.

Residential	R 0.00535
Businesses, Commercial, Industrial	R 0.006688
Educational	R 0.005350
Public Service Infrastructure	R 0.001338
Vacant Land	R 0.023500

Rates are levied on an annual basis with the final date of payment being 30 September for annual payers. The rates levied for monthly payers are payable over a period of twelve equal instalments. Interest at 1% above prime per annum is levied on outstanding rates as soon as accounts are overdue.

18 SERVICE CHARGES

Sale of electricity	90 071 462	72 645 254
Refuse removal	15 900 980	14 301 361
Total Service Charges	105 972 442	86 946 615

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
19 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	1 455 850	1 542 878
Rental of equipment	7 838	7 600
Total rentals	1 463 688	1 550 478
20 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	1 927 124	1 458 142
Other	4 793 415	3 262 691
Total interest	6 720 539	4 720 833
21 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Service debtors	15 716 759	18 304 958
Total interest	15 716 759	18 304 958
22 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	80 301 491	61 244 050
MIG Grant	15 989 071	16 844 235
Other Government Grants and Subsidies	25 556 651	24 111 054
Total Government Grant and Subsidies	121 847 213	102 199 339
22.1 Equitable Share		
In terms of the Constitution, this grant is used mainly to subsidise the provision of basic services to indigent community members.		
22.2 MIG Grant		
Balance unspent at beginning of year	6 430 375	3 285 409
Current year receipts	29 974 345	21 437 309
Conditions met - transferred to revenue	(16 681 632)	(18 292 343)
Conditions still to be met - remain liabilities (see note 14)	19 723 088	6 430 375
22.3 Other Government Grants and Subsidies		
Balance unspent at beginning of year	17 548 805	17 159 048
Current year receipts	28 847 614	22 957 106
Conditions met - transferred to revenue	(29 488 561)	(22 567 349)
Conditions still to be met - remain liabilities (see note 14)	16 907 859	17 548 805
22.4 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
23 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
23.1 Other income		
Miscellaneous		
Total Other Income	35 359 067	25 222 477
23.2 Public contributions and donations		
Public contributions - Conditional	221 783	139 579
Total public contributions and donations	221 783	139 579
Reconciliation of conditional contributions		
Balance unspent at beginning of year	513 502	586 553
Current year receipts	34 636	66 528
Conditions met - transferred to revenue	(221 783)	(139 579)
Conditions still to be met - remain liabilities (see note 14)	326 355	513 502
24 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	53 977 506	48 347 268
Employee related costs - Contributions for UIF, pensions and medical aids	12 879 508	10 744 670
Travel, motor car, accommodation, subsistence and other allowances	461 147	3 235 671
Housing benefits and allowances	279 840	354 445
Overtime payments	3 603 048	3 814 187
Performance and other bonuses	6 214 034	9 661 649
Total Employee Related Costs	77 415 084	76 157 890

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R		
Remuneration of the Municipal Manager				
Annual Remuneration	440 127	403 580		
Performance- and other bonuses	53 551	48 462		
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	257 360	177 968		
Total	751 039	630 010		
Remuneration of the Chief Finance Officer				
Annual Remuneration	467 072	414 980		
Performance- and other bonuses	50 493	45 695		
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	138 845	133 361		
Total	656 410	594 036		
Remuneration of Individual Executive Directors				
	Technical Services	Corporate Services	Community Services	Estates Services
	R	R	R	R
2010				
Annual Remuneration	383 656	401 586	413 950	391 051
Performance- and other bonuses	50 146	50 146	50 146	50 146
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	218 097	200 168	187 804	210 703
Total	651 899	651 899	651 899	651 899
2009				
Annual Remuneration	300 889	367 549	369 898	357 143
Performance- and other bonuses	45 381	45 381	45 381	45 381
Other (Pension, Transport, Medical Aid, UIF, Housing Subsidy ect.)	243 684	177 024	174 675	187 430
Total	589 954	589 954	589 954	589 954
25 REMUNERATION OF COUNCILLORS				
	Note	2010	2009	
		R	R	
Executive Mayor		502 732	538 246	
Speaker		461 105	431 951	
Executive Committee Members		2 347 473	1 843 963	
Councillors' pension and medical aid contributions		890 452	879 621	
Councillors' allowances		7 172 342	8 164 466	
Total Councillors' Remuneration		11 374 104	11 858 247	
In-kind Benefits				
The Executive Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.				
The Executive Mayor has use of a Council owned vehicle for official duties.				
26 DEPRECIATION AND AMORTISATION EXPENSE				
Property, plant and equipment		9 285 084	9 056 940	
Total Depreciation and Amortisation		9 285 084	9 056 940	
A full stock take of property, plant and equipment were performed in 2009 and as the assets identified and a deemed cost determined, could not in the majority of cases be identified with the assets as per the asset register, it was decided to write out the full register and bring in the newly identified assets. Because this was performed at the end of 2009 no depreciation for 2009 were recorded. It would have been an in and out transaction with no effect on the accumulated surplus. The municipality received reports for the valuation of Roads and Electricity Infrastructure assets and included such in the asset register and depreciation costs were calculated and allocated for the 2008/09 and 2009/10 financial year.				
27 FINANCE COSTS				
Borrowings		1 609 217	2 112 748	
Bank overdrafts		532	896	
Total Finance Costs		1 609 748	2 113 644	
28 BULK PURCHASES				
Electricity		72 255 114	51 183 843	
Total Bulk Purchases		72 255 114	51 183 843	
29 CONTRACTED SERVICES				
Contracted services for:				
Security services		3 159 418	1 731 020	
Maintenance		1 694 187	74 839	
		4 853 605	1 805 859	
30 GRANTS AND SUBSIDIES PAID				
Operational expenses from grants		24 027 636	40 677 444	
		24 027 636	40 677 444	

Refer Appendix E for detail.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010	2009
	R	R
31 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	166 110	180 871
Admin fees	(10 041 468)	(10 255 205)
Audit fees	1 779 207	1 697 732
Bank charges	578 330	660 980
Conferences and delegations	841 604	567 913
Fuel and oil	3 830 934	4 061 404
Insurance	1 380 159	873 830
Legal expenses	281 526	495 992
Licence fees - vehicles	242 824	195 990
Membership fees	-	1 014 430
Postage	1 025 428	726 836
Printing and stationery	773 582	738 071
Rental of buildings	1 640 941	1 406 002
Stocks and material	566 180	573 716
Subscription & publication	60 811	53 082
Telephone cost	1 726 255	1 695 392
Training	337 260	323 097
Travel and subsistence	349 930	255 429
Valuation costs	456 140	1 475 705
Other	10 212 373	4 541 451
	<u>16 208 126</u>	<u>11 282 718</u>
32 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	3 254 119	1 721 368
Total Gain / (Loss) on Sale of Assets	<u>3 254 119</u>	<u>1 721 368</u>
33 IMPAIRMENT LOSS / (REVERSAL OF IMPAIRMENT LOSS)		
Property, plant and equipment	-	-
No impairment losses were calculated on items of property, plant and equipment in terms of paragraph 112 of directive 4 and investment property in terms of paragraph 67 of directive 4.		
Investment property	-	-
Impairment testing was not done on properties.		
Total Impairment loss / (Reversal of Impairment Loss)	<u>-</u>	<u>-</u>
34 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
No fair value adjustment was done.		
35 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	67 147 137	28 766 500
Adjustment for:-		
Depreciation and amortisation	9 285 084	9 056 940
(Gain) / loss on sale of assets	(3 254 119)	(1 721 368)
Pre Paid Electricity	1 599 586	
Bad Debt	42 753 776	31 019 365
Finance costs	1 609 748	2 113 644
Post employment medical aid service cost		2 648 014
Post employment medical aid interest cost	-	4 350 787
Interest earned	(22 437 298)	(23 025 791)
Operating surplus before working capital changes:	<u>96 709 914</u>	<u>53 208 092</u>
(Increase)/decrease in inventories		
(Increase)/decrease in trade receivables	(37 395 034)	(38 247 103)
(Increase)/decrease in other receivables	(44 606 318)	(20 270 750)
(Increase)/decrease in VAT receivable	33 277 202	(27 757 851)
Increase/(decrease) in conditional grants and receipts	12 651 767	3 496 008
Increase/(decrease) in trade payables	8 273 522	10 503 733
Increase/(decrease) in VAT payable	(34 871 137)	27 373 401
Cash generated by/(utilised in) operations	<u>34 039 915</u>	<u>8 305 530</u>
36 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	108 029 501	73 373 654
Net cash and cash equivalents (net of bank overdrafts)	<u>108 029 501</u>	<u>73 373 654</u>

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010	2009
	R	R
37 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 15)	11 771 603	16 258 020
Used to finance property, plant and equipment – at cost	(11 771 603)	(16 258 020)
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

38 CHANGE IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash flow
GRAP 3 Accounting policies, changes in estimates and errors.
GRAP 4 The Effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing costs.
GRAP 9 Revenue from Exchange Transactions
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events after the Balance Sheet Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions and contingent liabilities.
GRAP 100 Non-current Assets Held for Sale and Discontinued Operations
GRAP 102 Intangible Assets
IPSAS 20 Related Party Disclosures
IPSAS 21 Impairment of Non Cash-Generating Assets
IFRS 7 Financial Instruments: Disclosure
IAS 19 (AC 116) Employee Benefits
IAS 32 (AC 125) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 Financial Instruments: Recognition and Measurement
Directive 1 Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
Directive 4 Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities
Directive 5 Determining the GRAP Reporting Framework

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:

39 CORRECTION OF ERROR

08/09		
Transactions affecting receivables as corrections on billing	157 323	407 209
Transactions affecting payables as corrections on payments and accruals.	1 943 452	(3 991 060)
Unknown payments written back to reflect only one year.	(784 538)	(743 856)
Short term portion of liabilities corrected	-	(230 036)
Net effect on surplus/(deficit) for the year	<u>1 316 237</u>	<u>(4 557 743)</u>

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE
40 DISALLOWED

40.1 Unauthorised expenditure

There was no unauthorised expenditure for the year.

40.2 Fruitless and wasteful expenditure

Interest raised on late payment for Swift Construction for the establishment of solid waste facilities for Whittlesea, Lesserton and Inlinge	21 389
Interest and Penalties was raised on an outstanding account for Workmans Compensation. The municipality were faced with cashflow problems in 2004/2005 financial year and could not settle the then outstanding accounts. The municipality settled the capital in the 2007/08 financial year and submitted a letter to WCA requesting that all interest and penalties be reversed. To date the municipality is still awaiting a response, therefore the disclosure.	340 387
Total fruitless and wasteful expenditure	<u>361 776</u>

40.3 Irregular expenditure

Section of Supply Chain Management Policy	
Section 13	
Section 16	
Section 13 and Section 16	41 040
Section 13 and Section 14	
Section 13,14 and 16	
Reconciliation of irregular expenditure	<u>41 040</u>

40.4 Irregular expenditure

Absa Bank has informed the municipality on 6 April 2010 that transactions were processed from the municipalities bank accounts between 1 April 2010 and 3 April 2010. Employees from Absa Bank in charge of the municipalities bank accounts, discovered this on the 3 April 2010 and were able to stop some of the payments made at that time and date. On the morning of Tuesday, 6 April 2010, the municipality met with Branch Managers in Queenstown and were able to freeze the bank accounts where the payments were made to, to avoid any funds being withdrawn. A total of 48 fraudulent transactions went through on the 1 & 3 April 2010 totalling an amount of R6 694 338-05. The municipality have received confirmation from Absa Bank that an amount of R4 389 467-53 have been recovered from the accounts closed. The investigation is still in its early stages and a final forensic report is awaited from Absa Bank and SAPS. The Case Number registered with the SAPS is 295/4/2010.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
41 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
41.1 Contributions to organised local government		
Council subscriptions	627 590	399 437
Amount paid - current	(627 590)	(399 437)
Balance unpaid (included in payables)	-	-
41.2 Audit fees		
Current year audit fee	2 332 804	2 529 618
Amount paid - current year	(2 711 247)	(2 151 175)
Balance unpaid (included in payables)	(378 443)	378 443
41.3 VAT		
VAT input receivables and VAT output payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.		
41.4 PAYE and UIF		
Current year payroll deductions	9 590 691	8 935 919
Amount paid - current year	(9 590 691)	(8 935 919)
Balance unpaid (included in payables)	-	-
41.5 Pension and Medical Aid Deductions		
Current year payroll deductions and Council Contributions	23 579 273	21 386 757
Amount paid - current year	(23 579 273)	(21 386 757)
Balance unpaid (included in payables)	-	-
41.6 Councillor's arrear consumer accounts		

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
The following Councillors had arrear accounts outstanding for more than 90 days as at -			
as at 30 June 2010			
Councillor ZA Beje	7 383	40	7 343
Councillor TM/S Jocki	429	429	-
Councillor NB Keva	1 582	1 582	-
Councillor MH Bokuya	1 798	266	1 532
Councillor JJ Makasi	173	102	71
Councillor M Blekiwe	20 598	836	19 763
Total Councillor Arrear Consumer Accounts	31 964	3 256	28 708
as at 30 June 2009			
Councillor ZA Beje	25 999	670	25 329
Councillor LN Twaku	2 586	767	1 819
Councillor NG Xoseni	3 308	521	2 787
Councillor M Nontsele	735	670	65
Councillor MM Gongqa	1 942	197	1 745
Total Councillor Arrear Consumer Accounts	34 570	2 825	31 745

	Highest Amount Outstanding R
During the year the following Councillors had arrear accounts outstanding for more than 90 days.	
as at 30 June 2010	
Councillor ZA Beje	7 383
Councillor TM/S Jocki	429
Councillor NB Keva	1 582
Councillor MH Bokuya	1 798
Councillor JJ Makasi	173
Councillor M Blekiwe	20 598
as at 30 June 2009	
Councillor ZA Beje	25 999
Councillor LN Twaku	2 586
Councillor NG Xoseni	3 308
Councillor M Nontsele	735
Councillor MM Gongqa	1 942

41.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act

The Municipality has deviated from its supply chain management policy by appointing a service provider to assist the municipality with a turn around plan implemented by

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
42 CAPITAL COMMITMENTS		
42.1 Commitments in respect of capital expenditure		
- Approved and contracted for	37 397 066	48 156 135
Infrastructure	9 535 182	5 004 356
Community	672 848	187 259
Other	27 189 037	42 964 520
Total	37 397 066	48 156 135

This expenditure will be financed from:

- External Loans	8 734 000	-
- Government Grants	28 663 066	48 156 135
	37 397 066	48 156 135

43 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year	346 053	397 012
In the second to fifth year inclusive		359 676
Total	346 053	756 690

Operating Leases consists of the following:
Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of five years and rentals are fixed for an average of five years.

44 RETIREMENT BENEFIT INFORMATION

Defined benefit plan

The following are defined benefit plan: Post retirement medical aid contributions.

The movement in the post employment medical benefit is reconciled as follows:-

Balance at beginning of year	49 020 219	43 868 419
Expected benefit Payments	(1 416 456)	(884 031)
Reflected on the statement of financial performance:		
Current service cost - included in general expenses.	962 970	2 648 014
Transfer from Accumulated surplus		-
Interest Cost		4 350 787
Actuarial (Gain)/loss		-
Transferred to current liabilities	(1 428 804)	(962 970)
Balance at end of year	47 137 929	49 020 219

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year	1 428 804	962 970
Balance at end of year	1 428 804	962 970

There is no actuarial gain/loss as this is the first post-employment medical assistance liability valuation performed.
The amount of the liability shown in the balance sheet is the present value of the obligation less the fair value of any plan assets held in respect of the post-retirement medical scheme. There are no plan assets in this valuation.

Sensitivity Analysis

Changes in medical inflation

Changes in the difference between the medical inflation and discount rates have a significant impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the medical inflation rate by 1% throughout, whilst keeping all other assumptions constant:

Sensitivity to medical inflation		
-1%	Base	+1%
R 49 483 357	R 49,983,189	50 483 021
-14.52%		18.69%

Assumptions used.

Descriptions

Pre retirement mortality
Post retirement mortality
AIDS
Normal retirement age

Assumptions

SA(85/90) normal
PA(90)M, PA(90)F
Not allowed for
65 years

Age difference
Take up rate
Discount rate

Actual information applicable to each Lukhanji Municipality employee
100% of active employees at retirement
Zero-coupon South African Bond yield curve

Medical inflation
Salary inflation

1.00% p.a. lower than the discount rate and 2.50% p.a. higher than CPI
2.00% p.a. higher than CPI

CPI - "a curve assumed"

A curved assumed to be 3.5% lower than the discount rate

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	2010 R	2009 R
45 CONTINGENT LIABILITY		
Claim for damages		
Guarantees in respect of housing bonds to employees - Collateral Meliziswe International Property Group - General Valuation : The group issued summons against the Municipality for payment which action was defended.	49 280	49 280
MaxProf - VAT : Summons were issued against the Municipality for payment in respect of services rendered and in respect of VAT Returns.	1 423 000	1 423 000
Mkhetsu - Damages : Summons were issued against the municipality for damages to a property but this matter has not been pursued and we have no indication as to when the matter will be resolved.	250 000	250 000
Motile - Damages : Motile sued the Municipality for damages and the matter became defended. Motile has not pursued the matter and the matter has been dormant for some years.	100 000	100 000
AS Burwana : Burwana has issued summons against the Municipality for services rendered which summons has been defended. This matter is set down for hearing in June 2010.	200 000	200 000
Civil & General : In this matter Civil & General issued summons against the Municipality for payment relating to remarks made which are alleged to have been defamatory of the firm Civil & General. This file is being attended to by Mr Bobotyana.	150 000	150 000
Chithi : Issued summons against the Municipality and various other councillors for payment of damages for defamation. This matter is proceeding to trial and will most probably be heard during the course of 2010.	100 000	100 000
D Osborne - Contract in place cancelled by municipality. Summons issued against municipality by Osborne. Matter resolved.		
AV Magqabi : Issued summons against the Municipality for the transfer of immovable property, but he has not pursued the matter.		
Sala Pension Fund : This claim arose as a result of an increase in the contributions by the Municipality to the Sala pension Fund which was backdated and for which the Sala Pension Fund has now issued summons against the Municipality. The matter has been defended and it should be heard some time early in 2010.		
	1 777 000	1 777 000
	4 049 280	4 049 280

There could be a possibility that the following claims could be reimbursed:
- Maxprof - VAT dependent on refund from SARS
- Sala Pension Fund - Increase in contributions

46 CONTINGENT ASSET
None

47 IN-KIND DONATIONS AND ASSISTANCE

The Municipality received the services of a financial advisor from the National Treasury.

48 EVENTS AFTER THE REPORTING DATE

There are no events to report upon.

49 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

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

The municipality assesses its trade receivables and loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Fair value estimator

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

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. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in notes 13.

Useful lives of infrastructure assets

The municipality's management determines the estimated useful lives and related depreciation charges for infrastructure assets. 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.

Effective interest rate

The municipality used the prime interest rate x 85% (± equal to borrowing rate from DBSA) to discount future cash flows.

Allowance for doubtful debts

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

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2010
R

2009
R

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2010
R

2009
R

50 RISK MANAGEMENT

50.1 Market Risk

The municipal activities expose it primarily to the risk of fluctuations in the interest rates.

Interest rate risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates

Market risk exposures are measured using sensitivity analysis. A sensitivity analysis showing how the Statement of Financial Position would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

50.2 Credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. 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 evaluates credit risk relating to customers on an ongoing basis. Customers cannot be refused basic services and so constitutes a serious credit risk. A credit control policy is in place so as to minimise the risk but is all dependant on the political will for execution to control the credit risk. Large consumers may have to produce large guarantees and/or deposits to minimise the credit risk.

Financial assets exposed to credit risk at year end were as follows:

ABSA Bank	1 081 152	9 526 466
Short term investments	106 921 357	63 820 196
Trade and other receivables	122 908 223	83 666 647

These balances represent the maximum exposure to credit risk.

50.3 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 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.

Maturity Analysis

	0 - 1 Year	2 Years	3 Years+	Total
2010				
Trade Payables	9 096 939			9 096 939
Finance Lease liability	3 270 023	2 906 121	2 089 593	8 265 737
Bank borrowings	1 005 833	1 129 506	1 370 528	3 505 866
	0 - 1 Year	2 Years	3 Years+	Total
2009				
Trade Payables	2 620 505			2 620 505
Finance Lease liability	3 564 434	3 270 023	4 995 714	11 830 171
Bank borrowings	921 983	1 005 833	2 500 033	4 427 849

50.4 Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits	106 921 357	63 820 196
- Finance Lease Liabilities	8 265 737	11 830 171
- Development Bank of South Africa loan	3 505 866	4 427 849

50.5 Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on financial instruments exposure to interest rates at reporting dates. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year.

The basis point increases or decreases, as detailed in the table below, were determined by management and represent management's assessment of the reasonably possible change in interest rates.

A positive number below indicates an increase in surplus. A negative number below indicates a decrease in surplus.

The sensitivity analysis shows reasonable expected change in the interest rate, either an increase or decrease in the interest percentage. The equal but opposite % adjustment to the interest rate would result in an equal but opposite effect on surplus and therefore has not been separately disclosed below.

As the municipality does not have any instruments that effect net assets directly, the disclosure only indicates the effect of the change in interest rates on surplus.

There were no changes in the methods and assumptions used in preparing the sensitivity analysis form one year to the next.

At year end, financial instruments exposed to interest rate risk were as follows:

- Call deposits	106 921 357	63 820 196
- Finance Lease Liabilities	8 265 737	11 830 171
- Development Bank of South Africa loan	3 505 866	4 427 849

Sensitivity Analysis
Changes in interest rates

Changes in the difference between the interest rates have an impact on the results. In the following table, we show the effects on the central basis results (as shown above) of both increasing and decreasing the interest rate by 1% throughout, whilst keeping all other assumptions constant:

Development Bank of South Africa Loan
Finance Lease Liabilities

Sensitivity to interest rate risk		
-1%	Base	+1%
3 470 808	3 505 866	3 540 925
8 183 080	8 265 737	8 348 395

51 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix D.

52 LANDFILL SITES

Rehabilitation cost for landfill sites.

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2010
R

2009
R

53 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The municipality has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2009 or later periods:

GRAP 18: Segment Reporting

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

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

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as an amount equal to that reduction.

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 24: Presentation of Budget Information in the Financial Statements

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

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

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

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

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

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

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

- A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated
 - the cost of fair value of the asset can be measured reliably.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

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

LUKHANJI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

2010
R

2009
R

54 FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

Financial assets: Loans and receivables

Financial liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

2010

Assets

Property, Plant and Equipment
Long-term investments
Trade and other receivables from exchange transactions
Other receivables from non-exchange transactions
Vat
Cash and Cash Equivalents

Loans and receivables R	Non financial assets R	Total R
-	206 710 415	206 710 415
732 923	-	732 923
38 207 352	-	38 207 352
29 165 903	55 534 968	84 700 871
103 919 599	-	103 919 599
108 029 501	-	108 029 501
280 055 277	262 245 383	542 300 660

Liabilities

Long-term Liabilities
Post employment medical benefit
Consumer deposits
Short-term Portion of Deferred Income
Short-term Portion of Long Term Liabilities
Short-term Portion of Post employment medical aid
Trade and other payables from exchange transactions
Provisions
Vat payable

Measured at amortised cost R	Non financial liabilities R	Total R
2 500 033	4 995 714	7 495 747
-	47 137 928	47 137 928
-	7 602 712	7 602 712
36 630 946	-	36 630 946
1 005 833	3 270 023	4 275 856
-	1 428 804	1 428 804
10 326 350	17 812 002	28 138 352
-	1	1
100 166 178	-	100 166 178
150 629 341	82 247 184	232 876 525

Net assets

	309 424 135	309 424 135
129 425 937	(129 425 937)	-

2009

Assets

Property, Plant and Equipment
Long-term investments
Trade and other receivables from exchange transactions
Other receivables from non-exchange transactions
Vat
Cash and Cash Equivalents

Loans and receivables R	Non financial assets R	Total R
-	207 296 373	207 296 373
706 820	-	706 820
43 729 417	-	43 729 417
9 601 977	32 887 666	42 489 643
69 048 461	-	69 048 461
73 373 654	-	73 373 654
196 460 329	240 184 040	436 644 368

Liabilities

Long-term Liabilities
Consumer deposits
Short-term Portion of Deferred Income
Short-term Portion of Long Term Liabilities
Taxes and transfers payable (non-exchange)
Trade and other payables from exchange transactions
Vat payable

Measured at amortised cost R	Non financial liabilities R	Total R
3 532 626	8 270 872	11 803 498
-	7 383 406	7 383 406
23 979 180	-	23 979 180
895 223	3 559 300	4 454 522
-	-	-
4 314 869	15 186 552	19 501 421
66 888 976	-	66 888 976
99 610 873	85 982 905	185 593 778

Net assets

	251 050 591	251 050 591
96 849 456	(96 849 456)	-

Loans and receivables at amortised cost

Opening balance	196 460 329	129 425 937
<i>Net other movements</i>	83 594 949	67 034 392
Closing balance	280 055 277	196 460 329

Financial liabilities at amortised cost

Opening balance	99 610 873	66 459 353
<i>Net other movements</i>	51 018 468	33 151 520
Closing balance	150 629 341	99 610 873

55 RECONCILIATION OF BUDGET SURPLUS/DEFICIT WITH THE SURPLUS/DEFICIT IN THE STATEMENT OF FINANCIAL PERFORMANCE

Net surplus/deficit per the statement of financial performance	(67 147 137)	(28 766 500)
Adjusted for:		
Overs on Expenditures	(1 492 021)	(10 874 958)
Unders on Expenditures	22 381 607	83 507 936
Water & Sanitation Expenditure Budget	(75 430 255)	
Overs on Revenues	26 971 234	6 958 655
Unders on Revenues	(5 020 052)	(59 652 768)
Water & Sanitation Budget Revenues	75 430 255	
Redemption Budget	3 963 669	6 304 728
No provision in Budget Depreciation	(9 285 083)	(9 056 940)
No provision in Budget Admin Charges	10 164 441	10 255 205
Transfer Capital Grant funding to operations	17 422 491	182 249
Pensioner Medical Aid transferred to provision	1 416 456	
	(624 395)	(1 142 394)

LUKHANJI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
for the year ended 30 June 2010

EXTERNAL LOANS	Interest Rate %	Loan number	Redeemable Date	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010
				R	R	R	R
FINANCE LEASES							
CGM00249J: ISUZU KB250	9.93		2010-11-01	-			-
CGM00250A : ISUZU KB 250	9.93		2010-11-01	50 419		(37 432)	12 986
CGM00246S : ISUZU KB250	9.77		2010-11-01	47 136		(34 994)	12 142
CGM00248K : ISUZU KB 250	10.00		2010-11-01	45 315		(33 643)	11 672
CGM00243X : ISUZU KB 250	9.71		2010-11-01	44 902		(33 335)	11 567
CGM00245T : ISUZU KB 250	9.77		2010-11-01	44 902		(33 335)	11 567
XPC31141S : LLERC/XKUBUTO WATER	10.39		2008-11-01	-			-
CVF00224A : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	29 501		(21 901)	7 600
CVF00227T : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	29 501		(21 901)	7 600
CVF00228S : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	25 032		(18 584)	6 448
CVF00230E : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	25 032		(18 584)	6 448
CVF00233X : VOLKSWAGEN CITI CHICO	10.17		2010-11-01	25 032		(18 584)	6 448
CGM00244W : ISUZU KB 250	9.77		2010-11-01	44 902		(33 335)	11 567
CGM00247L : ISUZU KB 250	10.00		2010-11-01	50 419		(37 432)	12 986
XPC31178K : ISUZU FTR 800 TURBO	9.73		2010-11-01	333 272		(230 674)	102 599
XPC31179J : ISUZU FTR 800 TURBO	9.73		2010-11-01	333 272		(230 674)	102 599
XPC31180A : ISUZU FTR 800 TURBO	9.73		2010-12-01	309 460		(214 219)	95 241
POB00039K : TRACTOR 4X4 AGRIC	Variable		2012-05-01	868 368		(273 821)	594 547
POB00040B : GRID ROLLER	Variable		2012-05-01	234 188		(73 855)	160 334
POB00021J : ISUZU FVZ 1400 TURBO	Variable		2012-02-26	532 703		(179 496)	353 207
POB00022H : ISUZU FTR 800 TIP	Variable		2012-02-26	336 816		(113 507)	223 309
POB00023E : ISUZU FTR 800 TIP	Variable		2012-02-26	336 816		(113 507)	223 309
POB00026X : BEEL 770 D MOTOR GRADER	Variable		2012-03-01	1 120 901		(377 668)	743 233
48519940001 : ISUZU KB200	12.84		2013-04-01	121 755		(26 264)	95 490
48519940002 : ISUZU KB200	12.84		2013-04-01	121 755		(26 264)	95 490
48519940003 : ISUZU KB200	12.84		2013-04-01	121 755		(26 264)	95 490
48519940004 : LPT 709 TON TATA DROPSIDE	12.84		2013-04-01	235 205		(50 737)	184 468
48519940005 : CHEVROLET AVEO 1.5 HATCH BASE	12.84		2013-04-01	94 680		(20 424)	74 256
48519940006 : ISUZU KB 200	12.84		2013-04-01	121 755		(26 264)	95 490
48519940007 : ISUZU KB 200	12.84		2013-04-01	121 755		(26 264)	95 490
48519940008 : CHEVROLET AVEO 1.5 HATCH BASE	12.84		2013-04-01	94 680		(20 424)	74 256
48519940009 : ISUZU KB 200	12.84		2013-04-01	121 755		(26 264)	95 490
48519940010 : MASSEY FERGUSON 275	12.84		2013-04-01	181 053		(39 056)	141 997
48519940011 : ISUZU KB 200	12.84		2013-04-01	128 260		(27 667)	100 592
48519940012 : ISUZU KB 200	12.84		2013-04-01	134 634		(29 043)	105 591
48519940013 : ISUZU KB 200	12.84		2013-04-01	134 634		(29 043)	105 591
48519940014 : NISSAN CABSTAR UD 40	12.84		2013-04-01	415 234		(89 572)	325 662
48519940015 : ISUZU FVZ 1400 TIPPER TRUCK	13.34		2013-06-01	700 000		(141 881)	558 119
48519940016 : JCB JS200 EXCAVATOR	12.84		2013-06-01	1 114 321		(227 721)	886 600
48519940017 : TATA TIPPER TRUCK	12.84		2013-07-01	374 879		(74 614)	300 265
48519940018 : TATA TIPPER TRUCK	12.84		2013-07-01	374 879		(74 614)	300 265
48519940019 : LANDFILL COMPACTOR	14.90		2013-07-01	1 696 647		(326 075)	1 370 572
48519940021 : TOYOTA HILUX 3.00	12.84		2013-08-01	210 808		(40 882)	169 926
48519940022 : 15 TON FOUR WHEEL TRACTOR TR.	12.84		2013-09-01	167 578		(31 677)	135 900
48519940023 : 20-25 TON FOUR AXLE LOW BED	12.84		2013-09-01	174 264		(32 941)	141 323
Total Finance lease liabilities				11 830 171	-	(3 564 434)	8 265 737
ANNUITY LOAN							
Development Loan of South Africa	12.00		2013-03-01	4 427 849	(26 782)	(895 200)	3 505 866
TOTAL EXTERNAL LOANS				16 258 020	(26 782)	(4 459 634)	11 771 603

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements/ Take on	Carrying Value
	Opening Balance	Additions	Disposals/Write offs	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals/Write offs	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land													
Land	81 675 560	-	(81 675 560)	-	-	-	-	-	-	-	-	-	-
	81 675 560	-	(81 675 560)	-	-	-	-	-	-	-	-	-	-
Buildings	28 027 730	-	(28 027 730)	-	-	(16 707 064)	-	16 707 064	-	-	-	-	-
Infrastructure													
Planning	3 044 744	-	(3 044 744)	-	-	(1 994 935)	-	1 994 935	-	-	-	45 289	45 289
Roads	16 676 493	11 922 920	(16 676 493)	-	11 922 920	(15 864 403)	(7 109 184)	15 864 403	-	(7 109 184)	-	97 649 386	102 463 122
Electricity	102 056 144	977 082	(102 056 144)	-	977 082	(75 731 739)	(4 214 304)	75 731 739	-	(4 214 304)	-	86 966 395	83 729 173
Other	2 078 992	-	(2 078 992)	-	-	(2 026 012)	-	2 026 012	-	-	-	-	-
Security	85 027	-	(85 027)	-	-	(76 254)	-	76 254	-	-	-	85 027	85 027
	123 941 399	12 900 002	(123 941 399)	-	12 900 002	(95 693 342)	(11 323 488)	95 693 342	-	(11 323 488)	-	184 746 097	186 322 611
Community Assets													
Recreation	279 152	399 492	(279 152)	-	399 492	(80 204)	-	80 204	-	-	-	-	399 492
Halls	-	59 093	-	-	59 093	-	-	-	-	-	-	-	59 093
Cemeteries	-	64 844	-	-	64 844	-	(1 621)	-	-	(1 621)	-	-	63 223
	279 152	523 429	(279 152)	-	523 429	(80 204)	(1 621)	80 204	-	(1 621)	-	-	521 808
Heritage Assets													
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	233 923 841	13 423 431	(233 923 841)	-	13 423 431	(112 480 609)	(11 325 109)	112 480 609	-	(11 325 109)	-	184 746 097	186 844 419

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2010

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	233 923 841	13 423 431	(233 923 841)	-	13 423 431	(112 480 609)	(11 325 109)	112 480 609	-	(11 325 109)	-	184 746 097	186 844 419
Other Assets													
Office Equipment	4 190 616	-	(4 190 616)	-	-	(2 441 023)	-	2 441 023	-	-	-	1 886 542	1 886 542
Furniture & Fittings	3 710 280	-	(3 710 280)	-	-	(397 304)	-	397 304	-	-	-	3 063 862	3 063 862
Bins and Containers	420 810	-	(420 810)	-	-	(302 240)	-	302 240	-	-	-	-	-
Other Equipment	7 105 475	-	(7 105 475)	-	-	(1 180 410)	-	1 180 410	-	-	-	6 069 891	6 069 891
Animals	15 705	2 446 878	(15 705)	-	2 446 878	(15 705)	(5 707 440)	15 705	-	(5 707 440)	-	-	(3 260 562)
Other Assets	-	1 885 758	-	-	1 885 758	-	(1 309 475)	-	-	(1 309 475)	-	-	576 283
	15 442 885	4 332 636	(15 442 885)	-	4 332 636	(4 336 682)	(7 016 915)	4 336 682	-	(7 016 915)	-	11 020 295	8 336 016
Finance Lease Assets													
Motor vehicles	16 085 274	-	(12 564 711)	-	3 520 562	(4 172 562)	-	4 172 562	-	-	-	8 009 418	11 529 981
	16 085 274	-	(12 564 711)	-	3 520 562	(4 172 562)	-	4 172 562	-	-	-	8 009 418	11 529 981
Total	265 452 000	17 756 067	(261 931 437)	-	21 276 629	(120 989 854)	(18 342 024)	120 989 854	-	(18 342 024)	-	203 775 810	206 710 415

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
	R	R	R	R	R	R	R	R	R	R			
Land													
Land	81 675 560	-	(81 675 560)	-	-	-	-	-	-	-	-	-	-
Landfill Sites	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries	-	-	-	-	-	-	-	-	-	-	-	-	-
	81 675 560	-	(81 675 560)	-	-	-	-	-	-	-	-	-	-
Buildings	28 027 730	-	(28 027 730)	-	-	(16 707 064)	-	16 707 064	-	-	-	-	-
Infrastructure													
Planning	3 044 744	-	(3 044 744)	-	-	(1 994 935)	-	1 994 935	-	-	-	45 289	45 289
Roads	16 676 493	-	(16 676 493)	-	-	(15 864 403)	-	15 864 403	-	-	-	97 649 386	97 649 386
Electricity	102 056 144	-	(102 056 144)	-	-	(75 731 739)	-	75 731 739	-	-	-	86 966 395	86 966 395
Other	2 078 992	-	(2 078 992)	-	-	(2 026 012)	-	2 026 012	-	-	-	-	-
Security	85 027	-	(85 027)	-	-	(76 254)	-	76 254	-	-	-	85 027	85 027
	123 941 399	-	(123 941 399)	-	-	(95 693 342)	-	95 693 342	-	-	-	184 746 097	184 746 097
Community Assets													
Recreation	279 152	-	(279 152)	-	-	(80 204)	-	80 204	-	-	-	-	-
	279 152	-	(279 152)	-	-	(80 204)	-	80 204	-	-	-	-	-
Total carried forward	233 923 841	-	(233 923 841)	-	-	(112 480 609)	-	112 480 609	-	-	-	184 746 097	184 746 097

LUKHANJI MUNICIPALITY
APPENDIX B
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
for the year ended 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance				
	R	R	R	R	R	R	R	R	R	R	R	R	R	
Total brought forward	233 923 841	-	(233 923 841)	-	-	(112 480 609)	-	112 480 609	-	-	-	-	184 746 097	184 746 097
Other Assets														
Office Equipment	4 190 616	-	(4 190 616)	-	-	(2 441 023)	-	2 441 023	-	-	-	-	1 886 542	1 886 542
Furniture & Fittings	3 710 280	-	(3 710 280)	-	-	(397 304)	-	397 304	-	-	-	-	3 063 862	3 063 862
Bins and Containers	420 810	-	(420 810)	-	-	(302 240)	-	302 240	-	-	-	-	-	-
Other Equipment	7 105 475	-	(7 105 475)	-	-	(1 180 410)	-	1 180 410	-	-	-	-	6 069 891	6 069 891
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Animals	15 705	-	(15 705)	-	-	(15 705)	-	15 705	-	-	-	-	-	-
	15 442 885	-	(15 442 885)	-	-	(4 336 682)	-	4 336 682	-	-	-	-	11 020 295	11 020 295
Finance Lease Assets														
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	12 564 711	3 520 562	(12 564 711)	-	3 520 562	(4 172 562)	-	4 172 562	-	-	-	-	8 009 418	11 529 981
	12 564 711	3 520 562	(12 564 711)	-	3 520 562	(4 172 562)	-	4 172 562	-	-	-	-	8 009 418	11 529 981
Total	261 931 437	3 520 562	(261 931 437)	-	3 520 562	(120 989 854)	-	120 989 854	-	-	-	-	203 775 810	207 296 372

LUKHANJI MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
for the year ended 30 June 2010

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council	243 341	988 219		(243 341)	988 219	53 164		(53 164)	-	988 219
Finance & Admin	28 807 681	16 951 226		(28 807 681)	16 951 226	10 850 190		(10 850 190)	-	16 951 226
Planning & Development	78 826 545	1 120 146		(78 826 545)	1 120 146	3 480 908		(3 480 908)	-	1 120 146
Health	2 736 136	311 943		(2 736 136)	311 943	806 374		(806 374)	-	311 943
Community & Social Services	20 624 541	1 270 238		(20 624 541)	1 270 238	9 949 395		(9 949 395)	-	1 270 238
Public Safety	1 215 647	2 826 027		(1 215 647)	2 826 027	619 088		(619 088)	-	2 826 027
Sport & Recreation	4 574 713	455 667		(4 574 713)	455 667	1 816 675		(1 816 675)	-	455 667
Environmental Protection	-	-		-	-	-		-	-	-
Waste Management	1 093 886	1 511 627		(1 093 886)	1 511 627	570 327		(570 327)	-	1 511 627
Road Transport	5 900 557	109 124 326		(5 900 557)	109 124 326	4 455 483		(4 455 483)	-	109 124 326
Water	-	-		-	-	-		-	-	-
Electricity	117 655 409	90 293 020		(117 655 409)	90 293 020	88 188 251		(88 188 251)	-	90 293 020
Other	252 980	200 000		(252 980)	200 000	200 000		(200 000)	-	200 000
Total	261 931 437	225 052 439	-	(261 931 437)	225 052 439	120 989 854	-	(120 989 854)	-	225 052 439

LUKHANJI MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

2009	2009	2009	2009		2010	2010	2010	2010
Actual Income	Actual Expenditure	Surplus / (Deficit)	Budget		Actual Income	Actual Expenditure	Surplus / (Deficit)	Budget
R	R	R	R		R	R	R	R
52 854 792	30 893 295	21 961 497	20 908 505	Executive & Council	83 412 994	23 433 122	59 979 872	30 703 640
59 074 958	23 620 546	35 454 411	5 564 778	Finance & Admin	66 490 810	20 272 070	46 218 740	19 038 816
7 578 446	12 245 367	(4 666 922)	(6 010 672)	Planning & Development	16 218 282	20 382 785	(4 164 503)	(6 525 630)
8 384 163	8 531 929	(147 766)	819 547	Health	8 673 408	8 237 101	436 307	-
4 272 590	8 760 386	(4 487 796)	(7 198 470)	Community & Social Services	2 574 453	8 617 911	(6 043 459)	(4 585 882)
9 968 636	11 645 495	(1 676 859)	(6 194 797)	Public Safety	14 317 728	13 256 188	1 061 540	(6 336 523)
644 124	6 496 991	(5 852 867)	(6 613 479)	Sport & Recreation	696 115	6 554 535	(5 858 420)	(6 882 052)
-	-	-	-	Environmental Protection	-	-	-	-
18 222 075	22 085 563	(3 863 488)	(2 560 131)	Waste Management	20 480 375	24 729 456	(4 249 082)	(3 099 899)
8 036 224	12 269 384	(4 233 161)	(6 484 846)	Road Transport	20 638 849	13 746 298	6 892 550	(6 909 174)
-	-	-	-	Water	-	-	-	-
106 747 153	110 355 902	(3 608 748)	4 888 131	Electricity	99 662 725	126 692 919	(27 030 194)	(14 673 361)
2 622	114 424	(111 802)	(128 527)	Other	2 622	98 836	(96 214)	(105 541)
275 785 782	247 019 281	28 766 500	(3 009 961)		333 168 359	266 021 222	67 147 137	624 395
				Less: Inter-Department Charges				
275 785 782	247 019 281	28 766 500	(3 009 961)	Total	333 168 359	266 021 222	67 147 137	624 395

LUKHANJI MUNICIPALITY
APPENDIX E
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2010

	Balance	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance	Conditions met
	2009/06/30							2010/06/30	
BCIG Projects: Ezibeleni Sewer	-48 576.17	-	-3 440.19	-	-	-	-	-52 016.36	Yes
BCIG projects: Mlungisi bulkwater	-63 320.14	-	-4 484.37	-	-	-	-	-67 804.51	Yes
Botha's Hoek Design Fees	-9 209.54	-	-652.22	-	743.82	-	-	-9 117.94	Yes
Botha's Hoek Establishment Grant	6 124.86	-	-	-	-6 091.24	-	-	33.62	Yes
Botha's Hoek Top Structure	-37 715.84	-	-2 596.52	-	4 050.40	-	-	-36 261.96	Yes
Brakkloof Settlement Planning	-68 018.83	-	-4 225.52	-	14 333.67	-	-	-57 910.68	Yes
Brakkloof Survey Preojects	-2 484.57	-	-53.02	-	2 537.59	-	-	-0.00	Yes
Bulk Services Levy	-278 290.49	-	-24 828.41	-187 314.06	474.46	-	-	-489 958.50	Yes
Capacity Building : Ward Committees, Councillors etc	-47 774.10	-	-944.87	-	48 718.97	-	-	-	Yes
Cemetery Maintenance Perpuity	-12 921.89	-	-1 831.33	-	-	-	-	-14 753.22	Yes
Chris Hani District Funds	-124 421.08	-	-3 781.10	-	128 202.18	-	-	-0.00	Yes
CMIP Project: Enkululekweni Housing	-36 270.27	-	-	-	-	-	-	-36 270.27	Yes
CMIP Project: Ezibeleni Bulkwater & Roads	-13 769.90	-	-975.19	-	-	-	-	-14 745.09	Yes
CMIP Project: Shiloh Bede Free Basic Water	-44 981.77	-	-3 185.63	-	-	-	-	-48 167.40	Yes
CMIP: Sabata Dalindyebo Services	-16 021.20	-	-1 134.63	-	-	-	-	-17 155.83	Yes
Completion of Zoning Scheme	-19 375.43	-	-696.39	-	14 168.09	-	-	-5 903.73	Yes
Computerized Library System	-239 415.33	-	-13 721.76	-	64 649.44	10 061.41	-	-178 426.24	Yes
Construction of Sportfields	-5 105.61	-	-108.96	-	5 214.57	-	-	-0.00	Yes
DBSA : Hand Held Terminals	-15 000.00	-	-	-	-	-	-	-15 000.00	Yes
Dept of National Health (Attic)	-	-	-	-1 714 474.28	-	-	-	-1 714 474.28	Yes
Development of Integrated Spatial Info System	-723 184.26	-	-51 202.63	-	-	-	-	-774 386.89	Yes
Development of Performance Contracts for Managers	-167 568.81	-	-10 549.48	-	178 118.29	-	-	-	Yes
Disaster Fund	-1 928.84	-	-41.16	-	1 970.00	-	-	-0.00	Yes
Ekuphumleni Establishment Grant	-33 635.54	-	-2 382.09	-	-	-	-	-36 017.63	Yes
Ekuphumleni Top Structure	-53 188.15	-	-3 650.59	-	14 104.77	24 852.63	-	-17 881.34	Yes
Ekuphumleni Transfer Fees	-10 744.92	-	-867.86	-2 100.00	2 604.42	-	-	-11 108.36	Yes
Enkululekweni Establishment Grant	-248.62	-	-17.61	-	-	-	-	-266.23	Yes
Enkululekweni Top structure	-3 245.23	-	-177.93	-	376.86	-	-	-3 046.30	Yes
Ensam Design Fees	-27 408.17	-	-1 788.10	-	6 274.98	-	-	-22 921.29	Yes
Ensam Establishment Grant	-281.32	-	-18.97	-	35.40	-	-	-264.89	Yes
Ensam Top Structure	-7 636.22	-	-	-	5 780.79	-	-	-1 855.43	Yes
Eskom (Sabata Dalindyebo)	-314 595.70	-	-22 279.84	-	37 395.00	-	-	-299 480.54	Yes
Estate Late Macrae	-1 351.24	-	-	-	-	-	-	-1 351.24	Yes
Ezibeleni Phase 2 Establishment Grant	6 174.38	-	-	-	437.27	-	-	6 611.65	Yes
Ezibeleni Phase 2 Top Structure	-1 467.30	-	-103.91	-	-	-	-	-1 571.21	Yes
Ezibeleni Town Centre	-798.85	-	-17.05	-	815.90	-	-	-	Yes
Financial Management Grant	-717 045.21	-	-68 266.24	-1 000 000.00	1 217 032.36	33 352.30	-	-534 926.79	Yes
Fire Services	-2 702 236.17	-	-124 214.87	-	55 489.43	2 449 204.90	-	-321 756.71	Yes
Formulation Ezibeleni Sites	-92 822.77	-	-3 726.53	-	60 115.97	-	-	-36 433.33	Yes
Free Basic Services	-77 908.80	-	-4 529.83	-	22 582.63	-	-	-59 856.00	Yes
George Hartley Bequest	-37 817.99	-	-3 494.74	-24 128.00	-	-	-	-65 440.73	Yes
Hydraulic Analysis Sewerage	-6 301.56	-	-342.76	-	2 296.32	-	-	-4 348.00	Yes

LUKHANJI MUNICIPALITY
APPENDIX E
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2010

	Balance	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance	Conditions met
	2009/06/30							2010/06/30	
IEC	-37 338.38	-	-2 214.83	-	9 950.75	-	-	-29 602.46	Yes
Ilinge Establishment Housing Project	-55 928.72	-	-3 957.01	-	1 306.00	-	-	-58 579.73	Yes
Ilinge registration fee	-10 862.77	-	-2 841.93	-89 100.00	46 317.84	-	-	-56 486.86	Yes
Ilinge Top Structure	-5 485.36	-	-388.48	-	-	-	-	-5 873.84	Yes
Imvani Establishment Grant	-5 400.11	-	-366.33	-	5 400.00	-	-	-366.44	Yes
Imvani Top Structure	-123 101.92	-	-1 584.39	-	119 998.86	-	-	-4 687.45	Yes
Integrated Development Plan	-41 770.39	-	-3 445.97	-120 000.00	149 108.86	-	-	-16 107.50	Yes
Interest on Housing Projects	-45 494.43	-	-3 221.94	-	-	-	-	-48 716.37	Yes
Interest on Projects Infrastructure	-272 657.50	-	-17 676.82	-186 730.93	384 337.29	-	-	-92 727.96	Yes
Khayalitsha Brickmakers	-10 781.95	-	-230.10	-	11 012.05	-	-	-0.00	Yes
Laurie Dashwood Park Settlement Planning	-53 468.79	-	-2 159.37	-	34 374.64	-	-	-21 253.52	Yes
LED PROJECT - RESOURCE GROUP	-	-	-22 139.68	-1 183 656.00	301 548.34	248 828.95	-	-655 418.39	Yes
LGW Seta - Training	-85 837.31	-	-6 233.69	-364 807.03	300 544.82	-	-	-156 333.21	Yes
Mbekweni Roads & Stormwater	-1 476.40	-	-31.51	-	1 507.91	-	-	0.00	Yes
McBride Design Fees	-210 509.64	-	-12 833.52	-	428 019.91	1 699.43	-	206 376.18	Yes
McBride Establishment Grant	1 282.41	-	-	-	-2 835.63	-	-	-1 553.22	Yes
McBride Top Structure	1 260.40	-	-	-	84.88	-	-	1 345.28	Yes
Mendi Educare Centre	-28 111.16	-	-1 182.73	-	17 129.25	-	-	-12 164.64	Yes
Mendi Memorial Creche	-10 981.32	-	-1 570.39	-	-	-	-	-12 551.71	Yes
Merino Walk Design Fees	-51 698.66	-	-	-698 490.00	750 621.51	-	-	432.85	Yes
Merino Walk Establishment Grant	4 552.03	-	-	-	-4 714.44	-	-	-162.41	Yes
Merino Walk Top Structure	20 452.28	-	-	-	1 544.15	-	-	21 996.43	Yes
MIG - Interest	-191 766.57	-	-16 863.89	-407 880.18	630 993.17	-	-	14 482.53	Yes
MIG Counterfunding	-379 104.64	-	-38 539.10	-999 260.83	61 567.88	-	-	-1 355 336.69	Yes
MIG Funds	-5 829 737.46	-	-613 291.18	-27 896 401.89	1 438 879.73	14 550 191.14	-	-18 350 359.66	Yes
MIG retention fund	-29 766.61	-	-2 108.09	-	-	-	-	-31 874.70	Yes
MSP Funds	-683 611.19	-	-27 241.92	-	433 199.97	80 920.00	-	-196 733.14	Yes
Municipal Systems Improvement Program	-2 452 756.36	-	-132 454.80	-735 000.00	2 486 141.02	-	-	-834 070.14	Yes
Ner: Ezibeleni Infra Upgrade Phase 2	-299 536.59	-	-4 831.40	-	308 394.36	-	-	4 026.37	Yes
Nomzamo Planning	-26 219.99	-	-1 856.91	-	-	-	-	-28 076.90	Yes
Nomzamo Project Linked Housing	3 023.81	-	-	-	6 752.55	-	-	9 776.36	Yes
Nomzamo Top Structure	60 974.26	-	-57 342.14	-4 208 392.33	4 178 987.83	-	-	-25 772.38	Yes
Oliver Barnes Bequest	-3 125.43	-	-462.77	-	-	-	-	-3 588.20	Yes
P B Arnold Bequest	-8 984.74	-	-1 388.47	-	-	-	-	-10 373.21	Yes
Planning of Shiloh Greenfields	-231 829.72	-	-14 334.01	-	50 203.73	-	-	-195 960.00	Yes
Planting of Grass - BRFU	-8 223.43	-	-253.00	-	4 626.33	-	-	-3 850.10	Yes
Poplar Grove Design Fees	-213 611.94	-	-12 158.38	-150 159.80	375 867.48	-	-	-62.64	Yes
Poplar Grove Establishment Grant	4 968.62	-	-	-	-12 710.68	-	-	-7 742.06	Yes
Poplar Grove Top Structure	-1 078 674.06	-	-69 597.78	-	276 535.14	-	-	-871 736.70	Yes
Preparation of Structure Plan	-121 610.91	-	-6 698.96	-	42 642.49	-	-	-85 667.38	Yes
Queenstown Rhino Funds	-285 329.20	-	-15 121.74	-	112 483.97	-	-	-187 966.97	Yes
Rags to Riches	-47 103.20	-	-2 457.62	-	19 241.75	-	-	-30 319.07	Yes

LUKHANJI MUNICIPALITY
APPENDIX E
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT
for the year ended 30 June 2010

	Balance	Contributions	Interest	Receipts	Operating expenses	Capital	Transfers	Balance	Conditions met
	2009/06/30							2010/06/30	
Rathwick Electrification	-126 535.39	-	-8 961.30	-	-	-	-	-135 496.69	Yes
Revenue Management	-139 566.01	-	-2 727.02	-	142 293.03	-	-	0.00	Yes
Rowell Old Age Home	-1 703.42	-	-255.19	-	-	-	-	-1 958.61	Yes
Rural Water Scheme	-561 981.49	-	-	-	561 981.49	-	-	-	Yes
Rural Water Scheme	-12 390.36	-	-	-	-	-	-	-12 390.36	Yes
Sabata : Project Link	-243 929.97	-	-19 063.16	-146 524.00	2 818.76	-	-	-406 698.37	Yes
Sabata Dalindybeo Establishment Grant	-294.99	-	-20.89	-	-	-	-	-315.88	Yes
Sabata Dalindybeo Top Structure	-158.40	-	-11.22	-	-	-	-	-169.62	Yes
Sabata Top Structure	-262 357.22	-	-73 613.21	-7 268 026.68	6 663 795.48	-	-	-940 201.63	Yes
Service: Informal Settlements	-283 141.10	-	-13 065.19	-	149 615.76	-	-	-146 590.53	Yes
Shiloh Greenfields - Survey Project	-296 308.33	-	-18 372.34	-	63 140.67	-	-	-251 540.00	Yes
Sinthemba Organization	-25 347.84	-	-1 117.49	-	16 948.63	-	-	-9 516.70	Yes
SMALL MICRO STRATEGY & HAWKER	-	-	-9 477.78	-384 644.28	220 193.55	-	-	-173 928.51	Yes
Storm Relief Fund	-22 651.46	-	-957.52	-	-	-	-	-23 608.98	Yes
Survey & Planning: Ext 2 Whittlesea	-68 375.30	-	-3 452.32	-	30 221.17	-	-	-41 606.45	Yes
Survey of Laurie Dashwood Park	-37 260.24	-	-903.56	-	35 907.27	-	-	-2 256.53	Yes
Tambo Village Establishment Grant	-897.19	-	-63.54	-	-	-	-	-960.73	Yes
Tambo Village Top Services	5 185.10	-	-	-	367.21	-	-	5 552.31	Yes
Tambo Village Top Structure	-28 935.93	-	-2 019.21	-	-	10 070.78	-	-20 884.36	Yes
TOURISM OFFICE	-	-	-	-17 855.99	4 546.39	13 309.60	-	-0.00	Yes
Township Register 1	-37 315.29	-	-1 667.07	-	-	-	-	-38 982.36	Yes
Township Register 2	-41 950.79	-	-1 758.45	-	-	-	-	-43 709.24	Yes
Tylden Irrigation Scheme	-35 768.52	-	-1 044.53	-	31 000.98	-	-	-5 812.07	Yes
Unknown Allocation	-211 552.30	-	-14 982.25	-	-	-	-	-226 534.55	Yes
UPGRADE ELECTRICITY NETWORK 1.5c/kw	-	-	-	-3 064 849.00	-	-	-	-3 064 849.00	Yes
Upgrading Arts & Culture Centre	-215.86	-	-4.61	-	220.47	-	-	0.00	Yes
Valuation Fund	-295 021.63	-	-20 872.13	-	290 000.00	-	-	-25 893.76	Yes
VARIOUS PROJECTS - CHDM WATER	-	-	-143 836.54	-6 070 000.00	4 148 820.74	-	-	-2 065 015.80	Yes
W Tregarten Bequest	-4 213.89	-	-547.88	-	-	-	-	-4 761.77	Yes
Whittlesea Ext 4 Roads & Stormwater	-1 796 898.30	-	-64 308.81	-	1 394 270.03	-	-	-466 937.08	Yes
Who Can Tell Establishment Grant	-0.29	-	-	-	10.71	-	-	10.42	Yes
Who-Can-Tell Design Fees	1 297.81	-	-	-	7 468.27	-	-	8 766.08	Yes
Who-Can-Tell Top Structure	-553 719.32	-	-35 647.53	-	132 584.66	-	-	-456 782.19	Yes
Total	-23 979 179.55	-	-1 902 163.89	-56 919 795.28	28 747 701.32	17 422 491.14	-	-36 630 946.26	