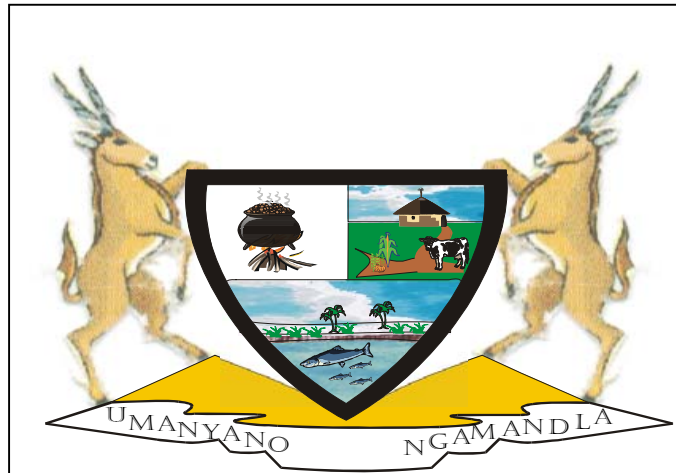


MBAZANA LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR
YEAR ENDED 30 JUNE 2010**

ANNUAL FINANCIAL STATEMENTS

for

MBIZANA LOCAL MUNICIPALITY

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

Province:

Eastern Cape

AFS rounding:

R (i.e. only cents)

Contact Information:

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Name of Chief Financial Officer:	Mrs N. Boti
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Contact telephone number:	
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Contact telephone number:	
Contact e-mail address:	
Name of contact at National Treasury:	
Contact telephone number:	
Contact e-mail address:	

MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

General information

Members of the Council

Hnr M. Twabu	Mayor
Cllr M. Mahlaba	Speaker
Cllr S.Bhani	Chief Whip
Cllr N. Msokana	Member of the Executive Committee
Cllr Magini	Member of the Executive Committee
Cllr N.E. Cengimbo	Member of the Executive Committee
Cllr D.D. Mnisi	Member of the Executive Committee
Cllr N. Mhlelebana	Member of the Executive Committee
Cllr T.D. Mafumbatha	Member of the Executive Committee
Cllr N.Zoko	Member of the Executive Committee
Cllr T. Mlomo	Member of the Executive Committee
Cllr Z.Busuku	Member of the Executive Committee
Cllr S. Dyravane	Member
Cllr N. Sikibi	Member
Cllr M. Mpetshwa	Member
Cllr S.N. Tseku	Member
Cllr N.Giyama	Member
Cllr W.A.Hlangabezo	Member
Cllr M. Mfingwana	Member
Cllr P.S. Ndakayi	Member
Cllr J.N.Madikizela	Member
Cllr W.Ndlela	Member
Cllr M.Zoleka	Member
Cllr A.B. Miya	Member
Cllr M.Ncayiyana	Member
Cllr A.Maquthu	Member
Cllr R.N.Madikizela	Member
Cllr E.D. Mngqongwa	Member
Cllr P.S. Soboyi	Member
Cllr J.V. Sodiya	Member
Cllr S.S. Mampofu	Member
Cllr G. Phakathi	Member
Cllr M. Jama	Member
Cllr N. Madikizela	Member
Cllr N.G. Phohlo	Member
Cllr Z. Mdunge	Member
Cllr H.N. Jwacu	Member
Cllr Z. Yalo	Member
Cllr K.Gavu	Member
Cllr T. Maphasa	Member
Cllr Z.Mhlwazi	Member
Cllr B.Qhosha	Member
Cllr S Ngonini	Member
Cllr M.Zoko	Member
Cllr M.Maphetshana	Member
Cllr N.Meth	Member
Cllr L.Makholosa	Member
Cllr P.N.Mfingwana	Member
Cllr T.T. Sigcau	Member
Cllr N.Ndaka	Member
Cllr S.Mayaba	Member

**MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

Municipal Manager

Mr L.N. Mambila

Chief Financial Officer

Mrs N. Boti

Grading of Local Authority

Grade 3

Auditors

Auditor-General

Bankers

First National Bank

MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

General information (continued)

Registered Office: Mbizana

Physical address: 51 Main Street
Bizana
4800

Postal address: **P.O.Box 12**
Bizana
4800

Telephone number: 039 2510230

Fax number: 039 2510 917/528

E-mail address: mambila@webmail.co.za; nomaphelo23@yahoo.com

**MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 41, 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 notes 29 & 30 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.

L N Mambila
Municipal Manager

31 August 2010

MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	R	R
ASSETS			
Current assets			
Cash and cash equivalents	2	34 881 011	17 359 635
Trade and other receivables from exchange transactions	3	3 166 697	612 989
Other receivables from non-exchange transactions	4	1 242 176	1 912 968
Other current financial assets	5	210 030	210 030
Inventories	6	145 275	180 961
VAT receivable	16	9 182 415	-
Non-current assets			
Property, plant and equipment	9	98 508 880	82 167 375
Intangible assets	10	451 038	821 276
Investment property carried at cost	11	4	4
Total assets		147 787 526	103 265 238
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	13	10 251 083	2 462 383
Consumer deposits	14	307 768	298 769
Current provisions	17	755 425	-
Current portion of unspent conditional grants and receipts	18	15 036 807	4 471 182
Bank overdraft	2	-	4 274 145
Total liabilities		26 351 083	11 506 479
Net assets		121 436 443	91 758 759
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		121 436 443	91 758 759
Total net assets		121 436 443	91 758 759

MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Note	R	R
Revenue			
Property rates	22	937 199	1 146 154
Service charges	23	8 048 499	5 079 055
Rental of facilities and equipment	24	823 981	652 772
Interest earned - external investments	25	1 600 863	2 538 900
Interest earned - outstanding receivables	26	185 999	138 335
Fines		209 710	116 553
Licences and permits		933 285	-
Government grants and subsidies	27	84 622 792	71 379 630
Other income	28	870 818	1 921 124
Total revenue		98 233 146	82 972 523
Expenses			
Employee related costs	29	21 840 130	17 653 705
Remuneration of councillors	30	10 253 295	9 775 279
Depreciation and amortisation expense	31	8 103 700	-
Repairs and maintenance		6 598 847	4 320 077
Bulk purchases	33	6 892 086	2 728 291
General expenses	34	18 232 711	30 606 907
Total expenses		71 920 769	65 084 259
Gain / (loss) on sale of assets		-	-
(Impairment loss) / Reversal of impairment loss		-	-
Profit / (loss) on fair value adjustment	36	47 661	-
Surplus / (deficit) for the period		26 360 038	17 888 264

MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation Reserve	Other reserves	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R	R	R	R
Balance at 30 June 2008	-	9 438 278	-	66 852 062	76 290 340
Changes in accounting policy					-
Correction of prior period error				(2 303 960)	(2 303 960)
Restated balance	-	9 438 278	-	64 548 102	73 986 380
Surplus / (deficit) for the period				17 888 264	17 888 264
Capital Grants used to purchase PPE					-
Donated and contributed PPE					-
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Write-off of government grant reserve		(9 438 278)		9 438 278	-
Appropriations				(115 885)	(115 885)
<i>Other items</i>					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)					-
				-	-
Balance at 30 June 2009	-	-	-	91 758 759	91 758 759
Changes in accounting policy					-
Correction of prior period error				3 317 646	3 317 646
Restated balance	-	-	-	95 076 405	95 076 405
Surplus / (deficit) on revaluation of property of property, plant and equipment					-
Offsetting of Depreciation					-
Donated and contributed PPE					-
Other items					-
Net gains and losses not recognised in the statement of financial performance					-
Transfers to / from accumulated surplus/(deficit)					-
Surplus / (deficit) for the period				26 360 038	26 360 038
Balance at 30 June 2010	-	-	-	121 436 443	121 436 443

**MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010
CASH FLOW STATEMENT AS AT 30 JUNE 2010**

	Note	R	R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, consumers, government and other		107 917 650	87 443 705
Cash paid to suppliers and employees		63 817 069	64 170 553
Cash generated from operations	37	44 100 581	23 273 152
Interest received		1 600 862	2 677 235
NET CASH FLOWS FROM OPERATING ACTIVITIES		45 701 443	25 950 387
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(23 914 921)	(14 273 193)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(23 914 921)	(14 273 193)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Consumer Deposits		8 999	6 500
NET CASH FLOWS FROM FINANCING ACTIVITIES		8 999	6 500
Net increase / (decrease) in net cash and cash equivalents		21 795 521	11 683 694
Net cash and cash equivalents at beginning of period		13 085 490	1 401 796
Net cash and cash equivalents at end of period	38	34 881 011	13 085 490

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 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.

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 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 25 Employee Benefits
GRAP 26 Impairment of cash generating assets
GRAP 103 Heritage Assets - issued July 2008

1.6 RESERVES

1.6.1 Revaluation Reserve

If Realised through use

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

If Realised on disposal

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised on the disposal of the property, plant and equipment. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.6.2 Mark-to-Market Reserve

Gains and losses arising from available-for-sale financial assets are recognised in equity and not the statement of financial performance except for impairment losses and foreign exchange gains and losses until the asset is derecognised. On derecognition the cumulative gains or losses previously recognised in equity shall be transferred to the statement of financial performance as a reclassification adjustment. Gains and losses from interest calculated using the effective interest method, as well as dividends from available-for-sale equity instruments are excluded from these gains and losses.

1.7 PROPERTY, PLANT AND EQUIPMENT

1.7.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

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

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

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

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

1.7.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses in respect of buildings only.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

1.7 PROPERTY, PLANT AND EQUIPMENT (cont)

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.7.3 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.

1.7.4 DEPRECIATION AND IMPAIRMENT

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:

Asset Type	Useful Life
Infrastructure Assets	
Roads - Asphalt	15 - 30
Bridges - Concrete	15 - 30
Storm Water - Concrete	15 - 30
Reticulation	15 - 30
Other Assets	
Motor Vehicles	3 - 7
Furniture	7 - 10
Office Equipment	3 - 7

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.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

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.

1.7.5 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.

1.7.6 COMPENSATION FOR IMPAIRMENT for items of PPE that were impaired, lost or given up shall be included in surplus or deficit when the compensation becomes receivable.

1.8 INTANGIBLE ASSETS

1.8.1 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.

1.8.2 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 and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite to definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

1.8.3 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
Licence	3 years

Each item of intangible asset is amortised separately.

Rights consist mainly of servitudes, Electricity rights. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the municipality.

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 prospectively 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.

1.8.4 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.

1.9 INVESTMENT PROPERTY

1.9.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings 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.

1.9.2 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	30 years
---------------------	----------

1.9.3 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.

Property held by a lessee under an operating lease that qualifies as Investment property is always accounted for in fair value model.

The municipality has taken advantage of the transitional provisions in Directive 3/4 of February 2008, on initial adoption of the standard of GRAP on Investment Property, GRAP 16, to comply fully with this standard..

1.10 BIOLOGICAL ASSETS

Animals or plants that are used primarily for non-productive purposes, such as recreational parks or game farms, fall outside the scope of this standard.

1.10.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality;
- and the fair value or cost of the asset can be measured reliably.

1.10.2 INITIAL AND SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

The fair value of milk is determined based on market prices in the local area.

The fair value of the vine / pine plantations is based on the combined fair value of the land and the vines / pine trees.

The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the vines / pine trees.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value.

1.11 NON-CURRENT ASSETS HELD FOR SALE

1.11.1 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/disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.11.2 SUBSEQUENT MEASUREMENT

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

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

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

1.12 INVENTORIES

1.12.1 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.

1.12.2. 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.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

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

1.13 FINANCIAL INSTRUMENTS

1.13.1 INITIAL RECOGNITION

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.13 FINANCIAL INSTRUMENTS (cont)

1.13.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost. 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.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.13.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or 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.

1.13.2.2 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 (more than 30 days overdue) 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.

1.13.2.3 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.

1.13.2.4 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.

1.14 INVESTMENTS IN ASSOCIATES

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The municipality exercises judgement in the context of all available information to determine if it has significant influence over an investee.

The equity method involves recognising the investment initially at cost, then adjusted for any change in the investor's share of net assets of the associate since its acquisition. A single line-item in the Statement of Financial Performance presents the investor's share of the associate's surplus or deficit for the year.

The municipality commences accounting for an investment in an associate from the date that significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures or financial instruments depending on the nature of the retained investment.

The municipality uses the most recent available financial statements of the associate in applying the equity method. Where the reporting periods of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments for the effects of any significant events or transactions between the investor and the associate that occur between the different reporting dates. Adjustments are made to ensure consistency between the accounting policies of the associate and the municipality.

1.15 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present obligation (legal or constructive) 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 each 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.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria

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

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

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

1.16 LEASES

1.16.1 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. The aggregate benefit of incentives of operating leases are recognised as a reduction of rental expense on a straight-line basis over the term of

1.16.2 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. 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.

1.17 REVENUE

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.17.1 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.

Rendering of services

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

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

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

Service charges relating to refuse removal are recognised on a monthly basis 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 number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

1.17 REVENUE (cont)

Sale of goods

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

Revenue from the sale of erven is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

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

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

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

Rates including collection charges and penalty

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.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines

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.

Public donations and contributions

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.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

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

1.17 REVENUE (cont)

Other

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.

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

1.17.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.18 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.

1.19 EMPLOYEE BENEFITS

1.19.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and profit sharing and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.19.2 Termination Benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.19.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Where a municipality has its own administered defined benefit plan

The cost of providing retirement benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Municipality's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating councillors and employees.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

Where a municipality is a member of a provincially administered defined benefit plan

The Municipality belongs to a defined benefit joint retirement fund, which is administered on a provincial basis.

The joint fund is actuarially valued triennially on the projected unit credit method basis. Deficits identified are allocated on a proportional basis to all participating municipalities. The Municipality recognises its proportionate share as a liability, which is settled through lump sum payments or increased future contributions.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.20 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 proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

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.

1.21 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.

1.22 UNAUTHORISED EXPENDITURE

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

1.23 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.

1.25 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.26 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the payments basis

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
	R	R
2 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash at bank	34 879 011	17 358 878
Cash on hand	2 000	757
	<u>34 881 011</u>	<u>17 359 635</u>
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
First National Bank - Bizana Branch - Account Number 51704922107		
Cash book balance at beginning of year	2 850 586	
Cash book balance at end of year	1 352 311	2 850 586
Bank statement balance at beginning of year	2 850 586	
Bank statement balance at end of year	1 352 311	2 850 586
<u>Current Account (Licensing Account)</u>		
First National Bank - Bizana Branch - Account Number 51701039997		
Cash book balance at beginning of year	246 435	
Cash book balance at end of year	1 327 125	246 435
Bank statement balance at beginning of year	246 435	
Bank statement balance at end of year	1 327 125	246 435
<u>Current Account (Electricity Infrastructure Account)</u>		
First National Bank - Bizana Branch - Account Number 61170003788		
Cash book balance at beginning of year	(4 274 145)	
Cash book balance at end of year	540 624	(4 274 145)
Bank statement balance at beginning of year	(4 274 145)	
Bank statement balance at end of year	540 624	(4 274 145)
<u>Investments</u>		
First National Bank		
Cash book balance at beginning of year	14 261 857	
Cash book balance at end of year	31 658 951	14 261 857
Bank statement balance at beginning of year	14 261 857	
Bank statement balance at end of year	31 658 951	14 261 857
There are no pledged investments		
<u>Cash on hand</u>		
Total cash and cash equivalents	<u>34 881 011</u>	<u>17 359 635</u>
Total bank overdraft	<u>-</u>	<u>4 274 145</u>

MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
3 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful Debts
	R'000	R'000
Consumer Debtors		Net Balance
		R'000
Current Fin YR 2010		
Service debtors	7 015 370	3 848 673
Total	7 015 370	3 848 673
Comparative Fin YR 2009		
Service debtors	10 255 202	9 642 213
Total	10 255 202	9 642 213
Rates: Ageing		
Current (0 – 30 days)		71 062
31 - 60 Days		62 395
61 - 90 Days		65 193
91 - 120 Days		64 758
+ 120 Days		256 405
Total		519 813
Electricity, Refuse and Other: Ageing		
Current (0 – 30 days)		404 934
31 - 60 Days		406 129
61 - 90 Days		206 454
91 - 120 Days		190 251
+ 120 Days		5 287 789
Total		6 495 557
A rates reduction amounting to R4 493 786 (see Note 43.1) was reversed during the year and Mbizana Municipality debtors of R412 230 erroneously raised were also reversed.		
Reconciliation of the doubtful debt provision		
Balance at beginning of the year	9 642 213	3 067 406
Contributions to provision	-	6 574 807
Reversal of provision	5 793 540	-
Balance at end of year	3 848 673	9 642 213
4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rental debtors	-	202 942
Value Added Tax	-	3 895 987
Pensions Councillors	32 805	34 874
O R Tambo DM	-	766 439
Other debtors	949 707	-
Impairment	-	(2 987 274)
Deposits not reflected on the bank statement	259 664	-
Total Other Debtors	1 242 176	1 912 968
Other receivables totalling R969 381 were written off in the 2010 year (nil in 2009) due to insufficient support documents being available to claim the debt.		
5 FINANCIAL ASSETS		
5.1 OTHER NON-CURRENT FINANCIAL ASSETS		
Other non-current financial assets	-	-
5.2 OTHER CURRENT FINANCIAL ASSETS		
Other current financial assets	210 030	210 030

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
	R	R
6 INVENTORIES		
Consumable stores	145 275	180 961
Total Inventories	145 275	180 961

7 POST- RETIREMENT MEDICAL AID BENEFITS

An actuarial valuation was not undertaken

8 FINANCIAL LEASE ASSETS

There are no financial lease assets

MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

9 PROPERTY, PLANT AND EQUIPMENT

9.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
Carrying values at beginning of the year 2010	3 784 665	-	58 272 143	17 545 682	-	2 564 885	-	82 167 375
Cost/Revaluation	5 964 492	-	76 454 136	21 597 654	-	6 156 441	-	110 172 723
Correction of error	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	2 179 827	-	18 181 993	4 051 972	-	3 591 556	-	28 005 348
	(90 376)	-	11 209 171	4 840 511	-	382 199	-	16 341 505
Acquisitions	302 984	-	8 078 305	3 479 419	-	1 103 105	-	12 963 813
Capital under Construction	-	-	9 116 259	2 365 133	-	-	-	11 481 392
Depreciation	393 360	-	5 985 393	1 004 041	-	720 906	-	8 103 700
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Adjustment Cost	-	-	-	-	-	-	-	-
Adjustment Accumulated Depreciation	-	-	-	-	-	-	-	-
Carrying values at the end of the year 2010	3 694 289	-	69 481 314	22 386 193	-	2 947 084	-	98 508 880
Cost/Revaluation	6 267 476	-	93 648 700	27 442 206	-	7 259 546	-	134 617 928
Accumulated depreciation and impairment losses	(2 573 187)	-	(24 167 386)	(5 056 013)	-	(4 312 462)	-	(36 109 048)

9.1 Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
Carrying values at beginning of the year 2009	5 964 492	-	37 202 278	23 679 303	-	9 461 216	-	76 307 289
Cost/Revaluation	-	-	-	-	-	-	-	-
Correction of error	-	-	-	-	-	-	-	-
Change in accounting policy	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Acquisitions	-	-	14 014 836	-	-	1 688 883	-	15 703 719
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	1 795 353	-	5 846 021	3 104 777	-	6 042 198	-	16 788 349
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Adjustment Cost	-	-	25 237 022	(2 081 649)	-	(4 993 658)	-	18 161 715
Adjustment Accumulated Depreciation	(384 474)	-	(12 335 972)	(947 195)	-	2 450 642	-	(11 216 999)
Carrying values at the end of the year 2009	3 784 665	-	58 272 143	17 545 682	-	2 564 885	-	82 167 375
Cost/Revaluation	5 964 492	-	76 454 136	21 597 654	-	6 156 441	-	110 172 723
Accumulated depreciation and impairment losses	2 179 827	-	18 181 993	4 051 972	-	3 591 556	-	28 005 348

10 INTANGIBLE ASSETS

10.1. Reconciliation of carrying value 2010

	Computer Software R	Other R	Total R
Carrying values at beginning of the year	821 276	-	821 276
Cost	821 276	-	821 276
Correction of error		-	-
Change in accounting policy		-	-
Accumulated amortisation and impairment losses	-	-	-
Acquisitions	-	-	-
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Adjustment Cost	(370 238)	-	(370 238)
Carrying values at the end of the year 2010	451 038	-	451 038
Cost	451 038	-	451 038
Accumulated amortisation and impairment losses	-	-	-

10.1 Reconciliation of carrying value

	Computer Software R	Other R	Total R
Carrying values at beginning of the year 2009	451 038	-	451 038
Cost	518 276	-	518 276
Correction of error		-	-
Change in accounting policy		-	-
Accumulated amortisation and impairment losses	(67 238)	-	(67 238)
Acquisitions	370 238	-	370 238
Amortisation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated amortisation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
Carrying values at the end of the year 2009	821 276	-	821 276
Cost	-	-	-

NAME OF MUNICIPALITY
 NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Accumulated amortisation and impairment losses	-	-	-
	28		

11 INVESTMENT PROPERTY CARRIED AT COST

11.1 Reconciliation of carrying value

	Investment property R	Investment property R	Total R
Carrying values at beginning of the year 2010	4	-	4
Cost	4	-	4
Correction of error	-	-	-
Change in accounting policy	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions / Additions	-	-	-
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
Carrying values at the end of the year 2010	4	-	4
Cost	4	-	4
Accumulated depreciation and impairment losses	-	-	-

11.1 Reconciliation of carrying value

	Investment property R	Investment property R	Total R
Carrying values at beginning of the year 2009	-	-	-
Cost	-	-	-
Correction of error	-	-	-
Change in accounting policy	-	-	-
Accumulated depreciation and impairment losses	-	-	-
Acquisitions / Additions	4	-	4
Depreciation	-	-	-
Carrying value of disposals	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-
Transfers	-	-	-
Other movements	-	-	-
Carrying values at the end of the year 2009	4	-	4
Cost	4	-	4
Accumulated depreciation and impairment losses	-	-	-

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010**

	2010	2009
	R	R
12 NON-CURRENT ASSETS HELD FOR SALE		
There are no Non-Current Assets held for sale.		
13 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade creditors	3 483 758	1 369 751
O R Tambo District Municipality	144 316	
Other creditors(specify)	853 875	-
Provision for leave	1 542 224	1 092 632
Unpresented cheques	4 226 910	-
Total creditors	10 251 083	2 462 383
The fair value of trade and other payables approximates their carrying amounts.		
14 CONSUMER DEPOSITS		
Electricity	307 768	298 769
Total consumer deposits	307 768	298 769
Guarantees held in lieu of Electricity and Water Deposits	-	-
15 VAT PAYABLE		
VAT payable	-	-
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
16 VAT RECEIVABLE		
VAT receivable	9 182 415	-
VAT is receivable on the payments basis. VAT is claimed from SARS only once payment is made to the service provider.		
17 PROVISIONS		
Provision Rehabilitation Refuse Disposal Site	755 425	-
Total Provisions	755 425	-
The movement in current provisions are reconciled as follows: -		
	Performance Bonus	Rehabilitation Refuse Site
Carrying values at beginning of the year 2010	-	-
Contributions to provisions	-	755 425
Expenditure incurred	-	-
Carrying values at the end of the year 2010	-	755 425
Carrying values at beginning of the year 2009	-	-
Contributions to provision	-	-
Expenditure incurred	-	-
Carrying values at the end of the year 2009	-	-

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010**

	2010	2009
	R	R
18 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
18.1 Unspent Conditional Grants from other spheres of Government	15 036 807	4 471 183
MIG Grants	13 488 513	2 879 689
Municipal Support Grant	275 148	275 148
Municipal Systems Improvement Grant	494 356	636 216
Extension 2 Residents Fund	33 802	33 802
Pilot Housing Fund	78 338	78 338
St Patrick	114 490	114 490
Financial Management	391 880	453 500
Fraud Prevention	160 280	
Total Unspent Conditional Grants and Receipts	15 036 807	4 471 183
See Note 27 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.		
19 BORROWINGS		
There are no borrowings.		
20 FINANCE LEASE LIABILITY		
There are no finance lease liabilities		
21 NON-CURRENT PROVISIONS		
Provision for rehabilitation of landfill sites	755 425	-
Total Non-Current Provisions	755 425	-
22 PROPERTY RATES		
<u>Actual</u>		
Residential, Commercial and State	937 199	1 146 154
Total property rates	937 199	1 146 154
<u>Valuations</u>		
Residential, Commercial and State	43 527 363	66 277 061
Total Property Valuations	43 527 363	66 277 061

MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

	2010	2009
	R	R
23 SERVICE CHARGES		
Sale of electricity	6 497 710	4 516 029
Refuse removal	67 157	563 026
Other	1 483 632	-
Total Service Charges	8 048 499	5 079 055
24 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	823 981	652 772
Total rentals	823 981	652 772
25 INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	113 667	2 538 900
Financial assets	1 487 196	-
Total interest	1 600 863	2 538 900
26 INTEREST EARNED - OUTSTANDING RECEIVABLES		
Consumer Debtors	185 999	138 335
Total interest	185 999	138 335
27 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	62 101 416	46 644 098
Municipal Systems Improvement Grant	641 860	187 632
Finance Management Grant	861 620	246 500
LGSET/Skills Development Grant	-	64 667
MIG - Operating	8 745	-
MIG - Capital	19 517 731	13 336 733
Fraud Prevention Grant	239 720	-
LED Grant	200 000	-
IDP Grant	110 000	-
Road Maintenance Grant	941 700	-
Revolving Fund	-	10 900 000
Total Government Grant and Subsidies	84 622 792	71 379 630
27.1 Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
27.2 MIG Grant		
Balance unspent at beginning of year	1 937 989	8 971 722
Current year receipts	31 077 000	6 303 000
Conditions met - transferred to revenue	(19 526 476)	(13 336 733)
Conditions still to be met - remain liabilities (see note 18)	13 488 513	1 937 989
27.3 Municipal Support Grant		
Balance unspent at beginning of year	275 148	275 148
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 18)	275 148	275 148

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010**

	2010	2009
	R	R
27 GOVERNMENT GRANTS AND SUBSIDIES CONTD.		
27.4 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	636 216	88 848
Current year receipts	500 000	735 000
Conditions met - transferred to revenue	(641 860)	(187 632)
Conditions still to be met - remain liabilities (see note 18)	494 356	636 216
27.5 O R Tambo Grants		
Balance unspent at beginning of year	-	6 352
Current year receipts	-	-
Conditions met - transferred to revenue	-	(6 352)
Conditions still to be met - remain liabilities	-	-
27.6 Finance Management Grant		
Balance unspent at beginning of year	253 500	
Current year receipts	1 000 000	500 000
Conditions met - transferred to revenue	(861 620)	(246 500)
Conditions still to be met - remain liabilities (see note 18)	391 880	253 500
27.7 LED Grant		
Balance unspent at beginning of year	200 000	-
Current year receipts	-	200 000
Conditions met - transferred to revenue	(200 000)	-
Conditions still to be met - remain liabilities	-	200 000
27.8 Ext 2 Residents Fund		
Balance unspent at beginning of year	33 802	33 802
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 18)	33 802	33 802
27.9 IDP Grant		
Balance unspent at beginning of year	-	147 959
Current year receipts	110 000	96 491
Conditions met - transferred to revenue	(110 000)	(244 450)
Conditions still to be met - remain liabilities	-	-
27.10 Road Maintenance Grant		
Balance unspent at beginning of year	941 700	941 700
Current year receipts	-	-
Conditions met - transferred to revenue	(941 700)	-
Conditions still to be met - remain liabilities	-	941 700
27.11 St Patrick Grant		
Balance unspent at beginning of year	114 489	114 489
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 18)	114 489	114 489
27.12 Fraud Prevention Grant		
Balance unspent at beginning of year	-	-
Current year receipts	400 000	-
Conditions met - transferred to revenue	(239 720)	-
Conditions still to be met - remain liabilities (see note 18)	160 280	-

MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

	2010	2009
	R	R
27.13 Pilot Housing Grant		
Balance unspent at beginning of year	78 338	78 338
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 18)	78 338	78 338
27.14 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.		
28 OTHER INCOME		
28.1 Other income		
Other Income	870 818	1 921 124
Total Other Income	870 818	1 921 124
29 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	16 247 023	24 524 923
Travel, motor car, accommodation, subsistence and other allowances	589 323	422 977
Housing benefits and allowances	320 284	746 097
Overtime payments	92 615	84 859
Contributions to UIF, Pensions and Medical aids	2 300 179	1 406 585
Performance and other bonuses	828 263	16 000
Acting Allowance	-	17 740
Casual Labour	318 918	209 803
Other employee related costs	1 143 525	-
Less: Councillors Remuneration	-	(9 775 279)
Total Employee Related Costs	21 840 130	17 653 705
There were no advances or loans granted to employees.		
Remuneration of the Municipal Manager		
Annual Remuneration	467 635	299 438
Settlement	-	367 197
Performance- and other bonuses	28 213	-
Travel, motor car, accommodation, subsistence and other allowances	195 740	-
Contributions to UIF, Medical and Pension Funds	79 091	-
Other	-	265 311
Total	770 679	931 946
Remuneration of the Chief Finance Officer		
Annual Remuneration	393 614	109 160
Performance- and other bonuses	31 536	-
Travel, motor car, accommodation, subsistence and other allowances	217 537	-
Contributions to UIF, Medical and Pension Funds	2 995	-
Other	-	100 497
Total	645 682	209 657
Remuneration of the Development Planning Officer		
Annual Remuneration	382 997	327 438
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	221 747	-
Contributions to UIF, Medical and Pension Funds	29 769	-
Other	-	377 647
Total	634 513	705 085
Remuneration of the Corporate Services Officer		
Annual Remuneration	403 891	354 724
Performance- and other bonuses	30 339	98 961
Travel, motor car, accommodation, subsistence and other allowances	179 202	-
Contributions to UIF, Medical and Pension Funds	27 145	-
Other	-	273 432
Total	640 577	727 117

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010**

	2010	2009
	R	R
29 EMPLOYEE RELATED COSTS CONTD.		
Remuneration of the Planning and Infrastructure Officer		
Annual Remuneration	375 027	272 164
Performance- and other bonuses	29 848	-
Travel, motor car, accommodation, subsistence and other allowances	243 191	-
Contributions to UIF, Medical and Pension Funds	-	-
Other	-	302 979
Total	648 066	575 143

30 REMUNERATION OF COUNCILLORS

Executive Mayor	420 448	545 981
Chief Whip	-	280 493
Mayoral Committee Members	-	2 169 216
Deputy Executive Mayor	-	-
Speaker	182 988	222 126
Executive Committee Members	1 705 275	-
Councillors	5 110 122	6 557 463
Councillors' allowances	2 834 462	-
Total Councillors' Remuneration	10 253 295	9 775 279

In-kind Benefits

The Executive Mayor, Deputy 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 the Council owned vehicle for official duties. The Executive Mayor has x full-time bodyguards.

31 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	8 103 700	-
Intangible assets	-	-
Investment property carried at cost	-	-
Biological assets carried at cost	-	-
Total Depreciation and Amortisation	8 103 700	-

32 FINANCE COSTS

There are no finance costs

33 BULK PURCHASES

Electricity	6 892 086	2 728 291
Total Bulk Purchases	6 892 086	2 728 291

MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

	2010	2009
	R	R
34 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	188 088	-
Audit Committee Fees	47 092	-
Audit fees	2 076 447	-
Annual Report	149 934	-
Bank charges	132 283	-
Books	88 974	-
Cemetery	87 309	-
Cleaning	49 477	-
Community involvement	158 442	97 159
Entertainment	501 757	-
Environmental Projects	260 283	-
Financial management grant	861 620	-
Financial Management Systems	641 860	246 500
Fraud Prevention	239 720	-
Free Basic Services	632 815	-
Fuel and oil	488 861	-
HIV/AIDS Programmes	419 809	324 709
ICT	521 331	-
IDP and communication	296 410	-
Institutional Support Projects	1 668 064	1 239 462
Insurance	382 245	-
Legal expenses	695 318	818 308
Licence fees	33 448	-
Local Economic Development Projects	711 669	132 650
Mayors Special Programmes	438 888	318 921
Membership fees	16 706	-
Planning and survey	123 941	-
Printing and stationery	278 435	-
Professional fees	259 281	-
Public participation	338 113	-
Rental of office equipment	18 809	-
Security costs	409 673	-
Sports, Art and Culture	-	2 000
Stocks and material	82 277	-
Telephone cost	292 977	-
Tourism	94 325	-
Travel and subsistence	2 722 018	-
Uniforms & overalls	133 384	-
Ward Committee Fees	1 276 820	603 073
Other	413 808	26 824 125
	18 232 711	30 606 907
35 GAIN / (LOSS) ON SALE OF ASSETS		
Property, plant and equipment	-	-
Intangible assets	-	-
Investment property	-	-
Biological assets	-	-
Other financial assets	-	-
Total Gain / (Loss) on Sale of Assets	-	-
36 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT		
Other financial assets	47 661	-
Total Profit / (Loss) on Fair Value Adjustment	47 661	-

MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010

	2010	2009
	R	R
37 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	26 360 038	17 888 264
Adjustment for:-		
Previous year operating transactions	3 317 646	-
Depreciation and amortisation	8 103 700	-
(Gain) / loss on sale of assets	-	-
Contribution to provisions - non-current	-	-
Contribution to provisions - current	1 092 632	-
Finance costs	-	-
Fair value adjustments	(47 661)	-
Impairment loss / (reversal of impairment loss)	-	-
Interest earned	(1 600 862)	(2 677 235)
Other non-cash item	-	-
Operating surplus before working capital changes:	37 225 493	15 211 029
(Increase)/decrease in inventories	35 686	-
(Increase)/decrease in trade receivables	(2 553 708)	-
(Increase)/decrease in other receivables	670 792	-
(Increase)/decrease in VAT receivable	(9 182 415)	-
Increase/(decrease) in conditional grants and receipts	10 565 625	-
Increase/(decrease) in trade payables	7 339 108	-
Increase/(decrease) in VAT payable	-	-
Net asset/liability Increase/Decrease	-	8 062 123
Cash generated by/(utilised in) operations	44 100 581	23 273 152

38 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	34 881 011	17 359 635
Bank overdrafts	-	(4 274 145)
Net cash and cash equivalents (net of bank overdrafts)	34 881 011	13 085 490

39 CORRECTION OF PRIOR YEAR ERRORS

39.1 Consumer Debtors

Balance previously reported	10 667 432
Correction prior year error: Mbizana Municipality debtors	(412 230)
Restated Balance as at 30 June 2009	10 255 202

39.2 Other Receivables

Balance previously reported	2 468 982
Correction prior year error: VAT adjustment	(556 014)
Restated Balance as at 30 June 2009	1 912 968

39.3 Trade and Other Payables

Balance previously reported	4 050 278
Correction prior year error: Accounts payable from previous year not cleared	(2 680 527)
Restated Balance as at 30 June 2009	1 369 751

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010**

	2010	2009
	R	R
39.4 Property, Pland and Equipment		
Balance previously reported		75 222 659
Correction prior year error:		
Understatement of Assets		18 161 715
Understatement of Accumulated Depreciation		(11 216 999)
Restated Balance as at 30 June 2009		<u>82 167 375</u>
39.5 Investments		
Balance previously reported		14 738 579
Correction prior year error:		
Misallocation grant expenditure		(476 722)
Restated Balance as at 30 June 2009		<u>14 261 857</u>
39.6 Cash and cash equivalents		
Balance previously reported		12 171 708
Correction prior year error:		
Licencing bank account		413 662
Primary bank account		(9 487 592)
Capital bank account		(1 410 307)
Restated Balance as at 30 June 2009		<u>1 687 471</u>
39.6 Accumulated surplus/(deficit)		
Balance previously reported		94 062 719
Correction prior year error:		
Mbizana Municipality debtors		(412 230)
VAT adjustment		(556 014)
Accounts payable from previous year not cleared		2 680 527
Understatement of Assets		18 161 715
Understatement of Accumulated Depreciation		(11 216 999)
Misallocation grant expenditure		(476 722)
Licencing bank account		413 662
Primary bank account		(9 487 592)
Capital bank account		(1 410 307)
Restated Balance as at 30 June 2009		<u>91 758 759</u>
39.7 Prior Year Adjustments		
The Council resolved to credit a portion of the rates levied to ratepayers for the years 1999 to 2006	(4 493 786)	-
There was an overprovision of impairment of consumer debtors in previous years	5 793 539	-
There was an overprovision of impairment of other debtors in previous years	2 017 893	-
Net effect on surplus/(deficit) for the year	<u>3 317 646</u>	<u>-</u>

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010**

2010 **2009**
R R

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
40 MANAGEMENT ACT**

40.1 Contributions to organised local government

Opening balance		
Council subscriptions	171 218	99 405
Amount paid - current	(171 218)	(99 405)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

40.2 Audit fees

Opening balance		
Current year audit fee	2 076 447	637 576
Amount paid - current year	(2 076 447)	(637 576)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

40.3 VAT

VAT input receivables and VAT output payables are shown in notes 16 & 17. All VAT returns have been submitted by the due date throughout the year.

40.4 PAYE and UIF

Opening balance		
Current year payroll deductions	4 330 540	3 702 116
Amount paid - current year	(4 330 540)	(3 702 116)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

40.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	3 026 072	1 658 293
Amount paid - current year	(3 026 072)	(1 658 293)
Amount paid - previous years		
Balance unpaid (included in payables)	-	-

40.6 Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at: -

	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R	R	R
Curr Fin Yr 2010			
Cllr S Mayaba	3 339	3 339	-
Cllr N Mhlembana	777	777	-
Cllr S Dyarvane	3 882	953	2 929
Cllr H N Vellem	4 032	1 011	3 021
Cllr M Twabu	436	436	-
Total Councillor Arrear Consumer Accounts	12 466	6 516	5 950
Previous Fin Yr 2009	-	-	-
No comparative figures	-	-	-
Total Councillor Arrear Consumer Accounts	-	-	-

During the year the following Councillors had arrear accounts outstanding for more than 90 days.

	Highest Amount Outstanding	Ageing Days
	R	
Curr Fin Yr 2010		

Cllr S Dyarvane
Cllr H N Vellem

2 929
3 021

120+
120+

Previous Fin Yr 2009

No comparative figures

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010**

	2010	2009
	R	R
41 CAPITAL COMMITMENTS		
41.1 Commitments in respect of capital expenditure		
- Approved and contracted for	-	-
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	-
- Approved but not yet contracted for	-	-
Infrastructure	-	-
Community	-	-
Heritage	-	-
Other	-	-
Total	-	-
This expenditure will be financed from:		
- External Loans	-	-
- Government Grants	-	-
- Own resources	-	-
- District Council Grants	-	-

41.2 Operating leases

There are no operating leases.

42 RETIREMENT BENEFIT INFORMATION

There was no Actuarial Valuation undertaken.

All Councillors and employees belong to multi-employer defined benefit retirement plans. Retirement benefits are accounted for on a cost basis and are charged to the income statement on an annual basis in line with MTEF.

The deficit will be financed by an increased contribution from all participating member municipalities.

The amount contributed by Council in respect of Councillor and employees retirement funding have been expensed and are included in note 41.5.

43 CONTINGENT LIABILITY

43.1 Claim for rates reduction

Ratepayers are disputing the payment of property rates. A decision has been taken to reduce the rates and prior year adjustments and consumer debtors have been adjusted by an estimated amount of R4 493 786 in the current financial year.

43.2 UIF for Councillors

UIF for Councillors has not been paid over to SARS since inception.
The estimated amount for three years is R224 604.

44 CONTINGENT ASSET

There are no contingent assets.

**MBIZANA LOCAL MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2010**

	2010	2009
	R	R
45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
45.1 Unauthorised expenditure		
No unauthorised expenditure was incurred for the year ended 30 June 2009 or for the year ended 30 June 2010.		
45.2 Fruitless and wasteful expenditure		
Penalties for late payment made to SARS in respect of PAYE liability payment.	143 244	-
45.3 Irregular expenditure		
Non compliance with one or more of the Supply Chain Management regulations or Supply Chain Management policy requirements.	3 753 780	-
46 RELATED PARTIES		
There are no related parties		
47 EVENTS AFTER THE REPORTING DATE		
There are no events after the reporting date.		
48 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures C(1) and C(2).		

**MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**APPENDIX A
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT**

	Cost/Revaluation					Accumulated Depreciation				
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
Land and Buildings										
Land and Buildings	5 964 497	302 984	-	-	6 267 481	2 179 831	393 360	-	2 573 191	3 694 290
Other Assets										
Emergency Equipment	398	-	-	-	398	-	133	-	133	265
Furniture And Fittings	2 024 685	98 990	-	-	2 123 675	1 369 593	145 640	-	1 515 233	608 442
Motor Vehicles	1 447 856	427 491	-	-	1 875 347	533 688	287 607	-	821 295	1 054 052
Office Equipment	2 638 845	544 612	-	-	3 183 457	1 661 322	280 789	-	1 942 111	1 241 346
Plant And Equipment	44 655	32 012	-	-	76 667	26 952	6 736	-	33 688	42 979
	6 156 439	1 103 105	-	-	7 259 544	3 591 555	720 905	-	4 312 460	2 947 084
Infrastructure										
Electricity Distribution	3 742 688	70 000	-	-	3 812 688	1 083 309	191 891	-	1 275 200	2 537 488
Roads	67 089 673	8 008 305	9 116 259	-	84 214 237	15 507 058	5 516 766	-	21 023 824	63 190 413
Bridges	407 532	-	-	-	407 532	32 132	13 584	-	45 716	361 816
Traffic Islands	3 300	-	-	-	3 300	1 020	330	-	1 350	1 950
Water Reticulation	5 210 943	-	-	-	5 210 943	1 558 473	262 822	-	1 821 295	3 389 648
	76 454 136	8 078 305	9 116 259	-	93 648 700	18 181 992	5 985 393	-	24 167 385	69 481 315
Community Assets										
Clinics	2 188 067	-	-	-	2 188 067	187 172	72 936	-	260 108	1 927 959
Community Centres	5 224 947	-	2 365 133	-	7 590 080	766 296	174 500	-	940 796	6 649 284
Market Stalls	568 398	286 490	-	-	854 888	85 932	28 954	-	114 886	740 002
Sport Facilities	8 249 175	-	-	-	8 249 175	2 251 626	412 459	-	2 664 085	5 585 090
Traffic Testing Station	-	23 650	-	-	23 650	-	1 043	-	1 043	22 607
Taxi Facilities	5 367 067	3 169 279	-	-	8 536 346	760 945	314 150	-	1 075 095	7 461 251
	21 597 654	3 479 419	2 365 133	-	27 442 206	4 051 971	1 004 042	-	5 056 013	22 386 193
Totals Carried Forward	110 172 726	12 963 813	11 481 392	-	134 617 931	28 005 349	8 103 700	-	36 109 049	98 508 882

**MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**APPENDIX B
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE**

2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	-	-	Executive & Council	360 000	20 288 726	(19 928 726)
-	-	-	Council general expenses	-	12 286 609	(12 286 609)
-	-	-	Municipal Manager	110 000	5 891 996	(5 781 996)
-	-	-	Mayor	250 000	764 818	(514 818)
-	-	-	Speaker	-	1 345 303	(1 345 303)
-	-	-	Finance & Admin	67 743 721	15 869 484	51 874 237
-	-	-	Finance	67 378 068	6 778 438	60 599 630
-	-	-	Finance	-	6 778 438	-
-	-	-	Admin	365 653	9 091 046	(8 725 393)
-	-	-	Corporate services	-	9 091 046	-
-	-	-	Planning & Development	291 772	2 815 269	(2 523 497)
-	-	-	Local economic development	-	2 815 269	-
-	-	-	Community Services	1 156 389	6 464 928	(5 308 539)
-	-	-	Community Services	-	6 464 928	-
-	-	-	Waste Management	671 057	4 548 095	(3 877 038)
-	-	-	Refuse Removal	-	4 548 095	-
-	-	-	Road Transport	20 803 805	13 112 568	7 691 237
-	-	-	Roads & streets	-	13 112 568	-
-	-	-	Electricity	7 206 402	8 821 699	(1 615 297)
-	-	-	Distribution	-	8 821 699	-
-	-	-	Total	98 233 146	71 920 769	26 312 377

**MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**APPENDIX C(1)
ACTUAL OPERATING VERSUS BUDGET**

	2010 Actual R	2010 Budget R	2009 Actual	2010 Variance R	2010 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE						
Property rates	937 199	1 287 936	1 146 154	(350 737)	-27.23	
Service charges	8 048 499	6 903 122	5 079 055	1 145 377	16.59	
Rental of facilities and equipment	823 981	1 316 971	652 772	(492 990)	-37.43	
Interest earned – external investments	1 600 863	786 000	2 538 900	814 863	103.67	
Interest earned – outstanding debtors	185 999	175 128	138 335	10 871	6.21	
Fines	209 710	102 353	116 553	107 357	104.89	
Licensing & permits	933 285	710 000	0	223 285	31.45	
Government grants & subsidies – operating	65 105 061	63 601 416	58 042 897	1 503 645	2.36	
Government grants & subsidies – capital	19 517 731	21 077 000	13 336 733	(1 559 269)	-7.40	
Other revenue	870 818	3 557 059	1 921 124	(2 686 241)	-75.52	
Total Revenue	98 233 146	99 516 985	82 972 523	(1 283 839)	-1.29	
EXPENDITURE						
Employee related costs	21 840 130	24 283 755	27 428 984	(2 443 625)	-10.06	
Remuneration of councillors	10 253 295	10 234 533		18 762	0.18	
Bad debts		542 084		(542 084)	-100.00	
Depreciation	8 103 700	0		8 103 700	-	
Repairs & maintenance	6 598 847	6 332 380	4 320 077	266 467	4.21	
Bulk purchases	6 892 086	7 008 095	2 728 291	(116 009)	-1.66	
General expenses	18 232 711	25 267 457	30 606 907	(7 034 746)	-27.84	
Total Expenditure	71 920 769	73 668 304	65 084 259	(1 747 535)	-2.37	
NET SURPLUS/(DEFICIT) FOR THE YEAR	26 312 377	25 848 681	17 888 264	463 696		

**MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

**APPENDIX C(2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)**

	2010 Actual R	2010 Under Construction R	2010 Total Additions R	2010 Budget R	2010 Variance R	2010 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL	1 406 089	-	1 406 089	2 287 470	(881 381)		
Executive & Council	1 406 089	-	1 406 089	2 287 470	(881 381)	-38.53	
ROAD TRANSPORT	8 008 305	9 116 259	17 124 564	20 023 150	(2 898 586)		
Roads & Stormwater	8 008 305	9 116 259	17 124 564	20 023 150	(2 898 586)	-14.48	
COMMUNITY & SOCIAL SERVICES	3 479 419	2 365 133	5 844 552	3 038 061	2 806 491		
Community Facilities	3 479 419	2 365 133	5 844 552	3 038 061	2 806 491	92.38	
ELECTRICITY	70 000	-	70 000	500 000	(430 000)		
Electricity Distribution	70 000	-	70 000	500 000	(430 000)	-86.00	
TOTAL	12 963 813	11 481 392	24 445 205	25 848 681	(1 403 476)		

**MBIZANA LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010**

APPENDIX D

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

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipality	Receipts	Expenditure	Grants Delayed/Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non-compliance
						Yes / No	
MSIG	Nat Treasury	500 000	641 860	Nil	-	Yes	-
FMG	Nat Treasury	1 000 000	861 620	Nil	-	Yes	-
IDP Grant	Prov Treasury	110 000	110 000	Nil	-	Yes	-
Fraud Prevention Grant	Prov Treasury	400 000	239 720	Nil	-	Yes	-
MIG	Nat Treasury	31 077 000	19 526 476	Nil	-	Yes	-
Total Grants and Subsidies Received		33 087 000	21 379 676				