

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010



CACADU DISTRICT MUNICIPALITY

Annual financial statements for the year ended 30 June 2010

General Information

Nature of business and principal activities

Services

DM Pillay

Registered office

32 Govan Mbeki Ave
Standard Bank Building
Port Elizabeth
6001

Postal address

P O Box 318
Port Elizabeth
6000

Auditors

Office of the Auditor-General

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

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Abbreviations

DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CDM	Cacadu District Municipality

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements set out on pages 4 to 46, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2010 and signed hereunder.

DM Pillay
Municipal Manager
2010/08/31

CACADU DISTRICT MUNICIPALITY

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Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
Assets			
Current Assets			
Short-term portion of long-term receivables	4	20,623	17,971
Trade and other receivables	5	2,913,036	1,834,558
VAT	6	2,824,022	17,754,481
Deposits paid	7	21,310	21,310
Cash and cash equivalents	8	353,467,967	416,378,318
		<u>359,246,958</u>	<u>436,006,638</u>
Non-Current Assets			
Property, plant and equipment	9	72,614,859	73,156,249
Long-term receivables	4	21,051	54,566
Investment property	44	12,561,500	13,579,500
Intangible assets	45	86,885	-
		<u>85,284,295</u>	<u>86,790,315</u>
Total Assets		<u>444,531,253</u>	<u>522,796,953</u>
Liabilities			
Current Liabilities			
Long term liabilities	10	87,173	52,392
Short term portion of deferred income	11	132,318,382	191,772,390
Trade and other payables from exchange transactions	12	17,331,577	20,386,662
Provisions	13	208,733	150,716
Short term portion of the post-employment medical benefit	14	3,114,384	2,916,602
Bank overdraft	8	-	8,473,051
		<u>153,060,249</u>	<u>223,751,813</u>
Non-Current Liabilities			
Long-term liabilities	10	21,890	42,195
Post-employment medical benefit	14	51,158,088	46,913,852
		<u>51,179,978</u>	<u>46,956,047</u>
Total Liabilities		<u>204,240,227</u>	<u>270,707,860</u>
Total assets less liabilities		<u>240,291,026</u>	<u>252,089,093</u>
Revaluation reserve			
Unappropriated surplus	15	60,857,683	59,700,104
	16	179,433,343	192,388,989
Total Net Assets		<u>240,291,026</u>	<u>252,089,093</u>

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Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Rental income		991,168	868,309
Tariffs and charges		239,970	226,782
Property rates		174,301	30,869
		1,405,439	1,125,960
Other income			
Investment interest		30,818,431	42,961,352
Income from agency services		29,698	27,193
Government grants & subsidies	19	281,811,684	196,174,715
Other revenue	20	3,910,884	4,461,806
Reduction in provision for debt impairment		1,539,342	-
Fair value adjustments		-	9,996,500
		318,110,039	253,621,566
Operating expenses			
Employee costs	21	34,966,961	32,031,001
Contribution to bad debt provision		-	1,555,518
Bad debts written off		-	1,423,769
Collection costs		25,449	119,130
Depreciation		2,168,431	2,455,438
Repairs and maintenance		1,349,999	1,033,339
Bulk purchases	24	12,621	12,621
Contracted services		3,173,393	3,115,212
Conditional grant expenditure	25	212,410,247	127,036,930
Other grants and subsidies paid	25	9,945,586	9,443,194
General expenses - other		54,845,567	43,885,709
Discounting of post employment medical benefit	14	5,695,008	5,472,548
Loss on donation of assets		2,705,687	923,769
Actuarial loss on post retirement medical aid benefit		1,564,301	-
Impairment		179,033	283,035
		329,042,283	228,791,213
Finance costs	23	(109,968)	(152,155)
Fair value adjustments	44	(868,500)	-
		(978,468)	(152,155)
Surplus/ (Deficit) for the year		(10,505,273)	25,804,158

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Unappropriated surplus	Total net assets
Balance at 01 July 2008	43,923,916	165,190,331	209,114,247
Changes in net assets			
Revaluations	15,776,188	-	15,776,188
Prior year adjustments	-	1,394,500	1,394,500
Net income (losses) recognised directly in net assets	15,776,188	1,394,500	17,170,688
Surplus for the year	-	25,804,158	25,804,158
Total recognised income and expenses for the year	15,776,188	27,198,658	42,974,846
Offsetting of depreciation	410,037	-	410,037
Total changes	15,776,188	27,198,658	42,974,846
Balance at 01 July 2009	59,700,104	192,388,989	252,089,093
Changes in net assets			
Surplus/ (Deficit) for the year	-	(10,505,273)	(10,505,273)
Transfer for purchase of asset	-	(2,450,373)	(2,450,373)
Revaluations	1,157,579	-	1,157,579
Total changes	1,157,579	(12,955,646)	(11,798,067)
Balance at 30 June 2010	60,857,683	179,433,343	240,291,026
Note(s)	15		

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Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
<u>Cash flows from operating activities</u>			
Cash receipts from customers		215,429,466	215,429,466
Cash paid to suppliers and employees		(293,072,990)	(223,946,607)
Cash used in operations	27	(77,643,524)	(8,517,141)
Interest income		30,818,431	42,961,352
Finance costs		(109,968)	(152,155)
Net cash from operating activities		(46,935,061)	34,292,056
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	9	(3,018,675)	(5,610,736)
Sale of property, plant and equipment	9	-	582,744
Purchase of other intangible assets	45	(86,885)	-
Decrease in long term receivables		30,863	46,069
Net cash from investing activities		(3,074,697)	(4,981,923)
<u>Cash flows from financing activities</u>			
Finance lease payments		14,476	(28,092)
Outflow from post employment medical benefit		(4,442,018)	(2,916,601)
Net cash from financing activities		(4,427,542)	(2,944,693)
Total net increase / (decrease) in cash for the year		(54,437,300)	26,365,440
Cash at the beginning of the year		407,905,267	381,539,827
Cash and cash equivalents	8	353,467,967	407,905,267

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Accounting Policies

1. Reporting Entity

The Cacadu District Municipality is a district municipality domiciled in South Africa. The registered address of the district municipality is 32 Govan Mbeki Avenue, Port Elizabeth. The Cacadu District Municipality is situated in the western portion of the Eastern Cape Province. It covers an area of 58 242 square kilometers. The area of the District Municipality includes nine local municipalities and four other portions collectively known as the District Management Areas (DMA's). The District Municipality's primary function is to support the development of a strong system of local government and service delivery across the district that meets the needs of our stakeholders – the Local Municipalities, residents, and the Private Sector.

1.1 Basis of Preparation

(a) Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) and the International Public Sector Accounting Standards (IPSAS) where applicable in terms of Directive five including any interpretations of such Statements issued by the Accounting Practices Board.

The entity has elected to early adopt the principles of the following requirement(s) in GRAP:

GRAP 23 - Revenue from Non-Exchange Transactions (Taxes and Transfers) - The entire standard

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for Land and Buildings, which are revalued.

(c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes to the financial statements.

(d) Offsetting

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

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Accounting Policies

1.2 Presentation of currency

These annual financial statements are presented in South African Rand.

1.3 Going concern Assumption

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

1.4 Property, plant and equipment

1.4.1. Recognition

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

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

1.4.2. Initial recognition

Property, Plant and Equipment are initially recorded at cost.

The "initial measurement" of property, plant and equipment, upon its "initial recognition" refers to property, plant and equipment's value when the current basis of accounting was first adopted, i.e. 1 July 2005. The "cost" of property, plant and equipment upon "initial recognition" is either its cost or fair value at initial recognition. The "cost" of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. The "cost" of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset's fair value at 1 July 2005 if the asset was acquired prior to this date.

Where the cost of an item of property, plant and equipment was acquired in exchange for, a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets it was measured at the fair value of the asset received, which is equivalent to the fair value of the asset given up adjusted by the amount of any cash or cash equivalents transferred.

The cost of assets acquired in an exchange of similar assets, are measured at the carrying value of the asset given up and no profit or loss is recognized.

1.4.3. Subsequent measurement.

Property, plant and equipment, is stated at cost, less accumulated depreciation and any impairment losses. Land is not depreciated as it is deemed to have an indefinite life.

CDM adopted the cost model for all classes of PPE except for Land and Buildings for which the fair value method has been adopted.

Land and buildings will be re-valued every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus included in net assets in respect of an item of property, plant and equipment will be transferred directly to accumulated surpluses or deficits when the asset is derecognised.

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Accounting Policies

1.4 Property, plant and equipment (continued)

Any subsequent expenditure to any asset that increases the value of the asset is seen as an improvement and will be capitalised during the year in which such expenditure is incurred. Replacement costs or repairs that does not increase the value of any asset, will be expensed in the year such expenditure is incurred.

1.4.4 Depreciation

When 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 and are depreciated according to their different useful lives.

The depreciation charge for each year is recognized in surplus and deficit unless it is included in the carrying amount of another asset.

Assets held under finance leases are depreciated over the lower of the term of the lease period or the life expectancy of the asset.

Depreciation is calculated on cost less residual value, using the straight line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	50
Specialised vehicles	5-20
Electricity	5-30
Motor vehicles	5-10
Water	5-20
Office equipment	2-10
Sewerage	15-20
Furniture and fittings	7-15
Bins and containers	5-10
Specialised plant and equipment	5-15
Computer equipment	2-10

The residual value and the useful life of each asset are reviewed annually.

1.4.5. Impairment

The entity assesses at each statement of financial position date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable 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 amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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 amount of the unit is less than the carrying amount of the units.

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.

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Accounting Policies

1.4 Property, plant and equipment (continued)

1.4.6. Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:

(a) on disposal, or

(b) when no future economic benefits or service potential are expected from its use or disposal.

1.4.7. Gains or losses

The gains and losses arising from the de-recognition of property, plant and equipment (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

1.5 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to the Revaluation Reserve. As revalued buildings are depreciated, the revaluation surplus is realised through a transfer of an equivalent amount from the revaluation reserve to the accumulated surplus. On disposal, the net revaluation surplus is transferred to the accumulated surplus while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.6 Provisions

A provision is recognised when the municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate shall be the effective interest rate. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

If the municipality has an onerous contract, the present obligation under the contract shall be recognized and measured as a provision.

1.7 Employee benefits

1.7.1 Defined contribution plans

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

1.7.2 Defined Benefits

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the Municipality for the remaining 70%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefits contribution plans, unless

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Accounting Policies

1.7 Employee benefits (continued)

exemption to do so has been obtained from the Registrar of Pension Funds.

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Financial Performance.

1.7.3 Accrued Leave Pay

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

1.7.4 Other short term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) are recognised in the period in which the service is rendered and are not discounted.

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

1.8 **Leases**

1.8.1 Municipality as the lessee

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.8.2 Municipality as the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

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Accounting Policies

1.9 Investments

The Municipality classifies its investments as loans and receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables, receivable within 12 months are included in cash and cash equivalents in the Statement of Financial Position.

Investments are initially measured at fair value and subsequently at amortised cost if material.

1.10 Inventories

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

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

1.11 Trade and other Receivables

Accounts receivable are classified as "Loans and Receivables" and are initially recognized at fair value. Subsequent measurement is at amortised value if material. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.12 Trade and other payables

Trade and other payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised value if material.

1.13 Revenue

Revenue comprises the cost of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is measured at the fair value of the consideration received or receivable net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

1.13.1 Revenue from Exchange Transactions

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when consumed. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when consumed and accrued accordingly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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Accounting Policies

1.13 Revenue (continued)

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

Interest and rentals are recognised on a time proportion basis.

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

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

Income collected on behalf of "principals" is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

All other revenue is recognised as it accrues.

1.13.2 Revenue from non-exchange transactions

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 proportion basis.

Revenue from Regional Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, at the cost of the consideration received or receivable.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.14 VAT

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once payment is made to a creditor.

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Accounting Policies

1.19 Irregular expenditure (continued)

The net VAT is either classified as “Loans and receivables” or “Financial liabilities at amortised cost”.

1.14.1 Measurement

Initial measurement is at cost Subsequent measurement is at amortised cost if material.

1.14.2 Derecognition

VAT is derecognised when the net payment is paid or received from SARS whichever is applicable when the VAT return is presented.

1.15 Segmental Information

The principal segments have been identified on a primary basis by classification of the revenue and expenditure and on a secondary basis by the classification of service of operations. The secondary basis is representative of the internal structure for both budgeting and management purposes.

1.16 Grants in - aid

The Council transfers money, from time to time, to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act.

When making these transfers, CDM does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as an expense in the period that the events giving rise to the transfer occurred.

1.17 Cash and Cash equivalents

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

Cash and cash equivalents are classified as “Loans and Receivables” and are initially measured at cost. Subsequent measurement is at face value or if material at amortised value.

Investments are derecognised when withdrawn

1.18 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 detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.19 Irregular expenditure (continued)

1.19 **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 detailed further in the notes to the financial statement, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 **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 detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 **Comparative information**

Budget information in accordance with GRAP 1 has been provided in an annexure to these 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.

1.22 **Borrowing costs**

Borrowing costs are recognised as incurred and expensed in the Statement of Financial Performance.

1.23 **Investment property**

1.23.1. Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

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

1.23.2. Subsequent measurement - Fair Value model

Investment property is subsequently 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.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.23 Investment property (continued)

Re-valuation will take place every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

1.23.3. Depreciation

Depreciation is calculated using the straight line method, over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated useful lives:

	Years
Buildings	50

The depreciation charge for each year is recognized in surplus and deficit.

1.23.4. Impairment

The entity assesses at each statement of financial position date whether there is any indication that an investment property may be impaired. If any such indication exists, the entity estimates the recoverable amount of this property.

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

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

If the recoverable amount of an investment property is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable 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 investment property is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

Any reversal of an impairment loss of a revalued investment property is treated as a revaluation increase.

1.23.5. Derecognition

An investment property shall be derecognised (eliminated from the statement of financial position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

1.23.6. Gains or losses

The gains and losses arising from the de-recognition of investment properties (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.24 Intangible assets

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost will be measured at fair value at the day of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

1.25 Financial instruments

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets: Loans and receivables
- Financial liabilities: at amortised cost

1.25.1. Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

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

1.25.2. Subsequent measurement

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

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.25 Financial instruments (continued)

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

1.25.3. Fair value determination

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

1.25.4. Impairment of financial assets

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

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available for sale.

1.25.5. Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit, and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.25.6. Derecognition

1.25.6.1. Financial assets

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

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

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the entity's continuing involvement in the asset.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.25 Financial instruments (continued)

1.25.6.2. Financial liabilities

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

1.26

1.26 Unutilised conditional grants

1.26.1 Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a Short-term Portion of Deferred Income. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised as cost as deferred income.
- Whenever an item of property, plant and equipment is funded from a Grant, an amount equal to the purchase price is transferred from the Deferred income account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a Grant an amount equal to the expenditure is transferred from the Deferred income account Grant to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The spent grant is classified as "Financial liabilities at amortised cost".

1.26.2. Subsequent measurement

Deferred income unspent grants are subsequently measured at amortised cost if material.

1.26.3 Derecognition

Deferred income unspent grants are derecognised when the balance was expended per the conditions as set for a grant.

1.27 **Revaluation reserve**

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.

1.28 **Effective interest rate**

The entity uses the prime interest rate less 0.5% to discount future cash flows.

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

Accounting Policies

1.29 Consolidation of Kouga Development Agency (KDA)

The municipality has a 50% interest in The Kouga Development Agency (KDA) which was established in joint venture with the Kouga Municipality as a multi- jurisdictional service utility in terms of the Local Government Systems Act, 2000.

The consolidated annual financial statements reflecting the joint venture will be based on the equity method.

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2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

3. New standards and interpretations

3.1 Standards and Interpretations early adopted

The municipality has chosen to early adopt the principles of the following standard:

GRAP 23 - Revenue from Non-Exchange Transactions (Taxes and Transfers) - The entire standard

All effective standards have been adopted during the prior year and no new standards have become effective during the period.

4. Long - Term Receivables

Loans to Kouga Local Municipality	32,049	50,019
Staff loans	9,625	22,518
	<u>41,674</u>	<u>72,537</u>

Classified as a financial asset: Loans and receivables and subsequently measured at amortised cost.

The loan to Kouga Local Municipality is unsecured, bears interest at 14.25% per annum and is repayable in 30 payments every six months.

Staff loans relates to study loans paid on behalf of employees to tertiary institutions for the futhering of the employees' development. These loans are repaid monthly in terms of the agreements with the applicable staff.

Non-current assets	21,051	54,566
Current assets	20,623	17,971
	<u>41,674</u>	<u>72,537</u>

5. Trade and other receivables

Trade and other receivables from exchange transactions

Rates	49,026	17,498
Services	469,727	218,469
Rental	6,159	1,885
Salaries and Wages	42,256	47,687
Accrued Rent	78,891	32,087
	<u>646,059</u>	<u>317,626</u>

Trade and other receivables from non exchange transactions including taxes and transfers

Levies	1,192,178	1,504,098
Department of Housing (Housing Schemes)	9,225,234	8,026,342
Nelson Mandela Bay Municipality Debtors Bank Deposits	2,310	8,989
General	3,228,592	4,895,370
Pre-payments	-	2,811
	<u>13,648,314</u>	<u>14,437,610</u>
Allowance for Impairment	(11,381,337)	(12,920,678)

Trade and other receivables	2,913,036	1,834,558
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Annual Financial Statements for the year ended 30 June 2010

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5. Trade and other receivables (continued)		
<u>Allowance for impairment</u>		
Balance at beginning of year	12,920,679	11,615,717
Restatement of the allowance for impairment.	<u>(1,539,342)</u>	<u>1,555,518</u>
Total Impairment	11,381,337	13,171,235
Transferred Trade and other receivables from exchange transactions	(548,618)	(250,556)
Transferred to Trade and other receivables from non exchange transactions including taxes and transfers.	<u>(10,832,719)</u>	<u>(12,920,679)</u>
	-	-
<u>Levies: Ageing</u>		
0 - 90 Days	-	70,421
+ 90 Days	<u>1,192,178</u>	<u>1,433,677</u>
Total	1,192,178	1,504,098
<u>Services: Ageing</u>		
0 - 90 Days	82,593	49,022
+ 90 Days	<u>387,134</u>	<u>169,447</u>
Total	469,727	218,469
<u>Rates : Ageing</u>		
0 - 90 Days	811	2,018
+ 90 Days	<u>48,215</u>	<u>15,480</u>
Total	49,026	17,498

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R2 657 037 (2009: R 1 458 782) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	2,499,650	1,168,535
2 months past due	78,041	89,755
3 months past due	79,346	200,492

Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R 11,381,337 (2009: R 12,920,677) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	302,723	150,616
Over 6 months	11,078,614	12,770,061

The financial assets have been classified as Loans and receivables at amortised cost.

No discounting was performed due to the short term nature of the receivables. For those receivables that are outside the normal terms, allowance for impairment was made. Impairment was made on collective assessment.

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

The RSC Levies are collected by the Nelson Mandela Bay Municipality on a contractual

CACADU DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2010

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5. Trade and other receivables (continued)

basis.

According to legislation passed during 2004/2005, the collection of RSC levies has been abolished effective 1 July 2006.

Terms of payment for accounts raised are determined in the credit control policy. This policy is exercised with caution when applied to parastatal organisations.

6. VAT

VAT	<u>2,824,022</u>	<u>17,754,481</u>
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All VAT returns have been submitted by the due dates throughout the year.

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

Included in the total VAT receivable amount of R17 754 48 for the prior year is an amount of R14 752 575.85. This related to a VAT claim processed during the last month of the financial year on flood damage grant funding.

No discounting was performed.

7. Deposits paid

Deposits - Electricity	5,000	5,000
Deposits - Parking	9,000	9,000
Deposits - Rietbron Electricity	500	500
Deposits - Parking Grace Street	810	810
Deposits - Post Office	6,000	6,000
	<u>21,310</u>	<u>21,310</u>

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8,100	8,100
Bank balances	7,760,315	-
Short-term deposits	345,699,552	416,370,218
Bank overdraft	-	<u>(8,473,051)</u>
	<u>353,467,967</u>	<u>407,905,267</u>
Current assets	353,467,967	416,378,318
Current liabilities	-	<u>(8,473,051)</u>
	<u>353,467,967</u>	<u>407,905,267</u>

Short -Term investments

Cash and cash equivalents are classified as a financial asset under Loans and receivables at amortised cost.

No discounting was performed due to the short term nature of the cash turnover and the fact that all investments earned interest.

The fair value of cash and cash equivalents approximates their carrying amounts.

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8. Cash and cash equivalents (continued)

No cash deposits were ceded as collateral

The return on investments for 2010 fluctuated between 6.65% and 12.21%. (2009: 7.5% and 12.83%).

Interest on investments accrued	1,699,552	3,370,217
Cash deposits	340,000,000	406,000,000
Call Account Deposits	4,000,000	7,000,000
Total cash investments	345,699,552	416,370,217

Allocation of external investments

Surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:-

Post employment medical benefit.	54,272,453	49,830,454
Conditional Grants and Receipts (Deferred income)	132,318,382	191,772,385
Infrastructure projects from Levies	5,750,750	6,801,029
Accrued leave pay	2,140,619	1,845,924
Unappropriated surplus	151,217,348	166,120,425
Total	345,699,552	416,370,217

CDM has the following bank account

Bank details	Bank statement balances		Cash book balances	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
ABSA 32 Govan Mbeki Port Elizabeth Current Account (Primary 1640-000-062	23,002,584	5,127,839	7,760,315	(8,473,051)

CACADU DISTRICT MUNICIPALITY

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Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	38,094,100	-	38,094,100	39,504,920	-	39,504,920
Buildings	23,352,285	-	23,352,285	23,239,705	-	23,239,705
Specialised Plant and machinery	2,206,819	(1,544,554)	662,265	2,144,872	(1,365,269)	779,603
Furniture and fixtures	1,612,549	(435,168)	1,177,381	1,499,187	(509,340)	989,847
Motor vehicles	8,136,850	(1,031,755)	7,105,095	9,310,761	(3,018,395)	6,292,366
Office equipment	809,282	(389,882)	419,400	1,219,933	(823,766)	396,167
Computer equipment	3,628,855	(2,745,690)	883,165	4,273,110	(3,241,288)	1,031,822
Electricity Infrastructure	280,254	(197,077)	83,177	280,254	(170,592)	109,662
Bins and containers	10,821	(10,821)	-	10,821	(9,739)	1,082
Specialised vehicles	1,121,352	(334,293)	787,059	1,011,309	(266,912)	744,397
Water distribution	162,893	(111,961)	50,932	162,893	(96,215)	66,678
Total	79,416,060	(6,801,201)	72,614,859	82,657,765	(9,501,516)	73,156,249

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Total
Land	39,504,920	-	(2,106,050)	695,230	-	-	38,094,100
Buildings	23,239,705	-	(349,770)	462,350	-	-	23,352,285
Specialised Plant and machinery	779,603	95,853	(2,250)	-	(210,941)	-	662,265
Furniture and fixtures	989,847	377,294	(80,509)	-	(104,416)	(4,835)	1,177,381
Motor vehicles	6,292,366	2,235,439	-	-	(1,249,415)	(173,295)	7,105,095
Office equipment	396,167	136,507	(10,290)	-	(102,081)	(903)	419,400
Computer equipment	1,031,822	249,547	(7,319)	-	(390,885)	-	883,165
Electricity Infrastructure	109,662	-	-	-	(26,485)	-	83,177
Bins and containers	1,082	-	-	-	(1,082)	-	-
Specialised vehicles	744,397	110,043	-	-	(67,381)	-	787,059
Water distribution	66,678	-	-	-	(15,746)	-	50,932
	73,156,249	3,204,683	(2,556,188)	1,157,580	(2,168,432)	(179,033)	72,614,859

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Disposals	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land	26,800,300	-	-	12,368,000	336,620	-	-	39,504,920
Buildings	20,154,323	-	-	3,408,188	(297,785)	(25,021)	-	23,239,705
Specialised Plant and machinery	866,195	223,998	(35,071)	-	1,506	(275,519)	(1,506)	779,603
Furniture and fixtures	1,058,636	152,963	(93,218)	-	82,853	(131,895)	(79,492)	989,847
Motor vehicles	4,579,403	4,229,647	(1,272,764)	-	(32,802)	(1,098,316)	(112,802)	6,292,366
Office equipment	424,199	174,506	(19,921)	-	20,213	(186,462)	(16,368)	396,167
Computer equipment	1,401,058	340,784	(84,040)	-	72,873	(625,986)	(72,867)	1,031,822
Electricity Infrastructure	134,325	-	-	-	-	(24,663)	-	109,662
Bins and containers	1,804	-	-	-	-	(722)	-	1,082
Specialised vehicles	328,166	488,838	(1,499)	-	-	(71,108)	-	744,397
Water distribution	82,424	-	-	-	-	(15,746)	-	66,678
	55,830,833	5,610,736	(1,506,513)	15,776,188	183,478	(2,455,438)	(283,035)	73,156,249

Revaluations

Carrying amount of property, plant and equipment retired from active use amounts to R5 738.

Land and buildings were valued at 30 June 2010 on the basis of willing buyer and willing seller by Suid Kaap Waardeerders, a registered and independent valuator. A register is available for inspection at the Cacadu District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth.

The carrying value of properties are measured at fair value as these properties were taken at fair value and not at cost. The carrying value of these properties, if measured under the cost model, could not be calculated.

Refer appendix B for more details.

CACADU DISTRICT MUNICIPALITY

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9. Property, plant and equipment (continued)

Disposals/ Transfers of Property, Plant and Equipment.

Council has previously resolved to transfer Transnet Houses to the occupants on receipt of all outstanding tariffs and charges. During the year land and buildings to the value of R2 455 820 were transferred.

During the year other property, plant and equipment was donated to local municipalities and other institutions to the value of R100 368.

Assets subject to finance lease (Net carrying amount)

Specialised Plant and Equipment	35,862	73,696
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10. Long term liabilities

The total of the present value of the future minimum lease payments at the balance sheet date for Finance Leases are :

- within one year	87,173	52,392
- Later than one year, but not later than five years	21,890	42,195
	109,063	94,587
Non-current liabilities	21,890	42,195
Current liabilities	87,173	52,392
	109,063	94,587

As no inherent interest rate to the contract could be determined, the incremental borrowing rate equal to the prime rate applicable at inception date was applied, and is currently repayable in monthly instalments of R7 958 per month.

The discounting rate was based on prime rate at the date of inception. All finance leases have a 0% escalation.

The contract with Sharp for a photostat machine has no renewal period and is rented month by month after the end of the contract until a 30 day notice period is given for collection.

The Gestetner and Panasonic contracts both (for photostat machines) have a 90 days notice period for termination of the contract. The renewal policy for Gestetner is on a month to month basis and for Panasonic on an annual basis.

Detailed information is available on Appendix A.

11. Short term portion of deferred income

Deferred income

Conditional grants and receipts

- National Government Grants	98,357,133	96,166,448
- Provincial Grants and subsidies	29,219,327	84,192,259
<u>Conditional Third party Grants from Government</u>		
- Provincial Grants and subsidies - 3rd party	4,625,877	9,443,847
- Other	116,045	1,969,836

Total Conditional Grants and Subsidies	132,318,382	191,772,390
Less: Short term portion transferred to current liabilities	(132,318,382)	(191,772,390)

Total Long Term liabilities	-	-
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A complete list of all conditions are available at the Cacadu District Municipality during office

CACADU DISTRICT MUNICIPALITY

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11. Short term portion of deferred income (continued)

hours.

See Appendix F for a reconciliation of grants from National / Provincial Government. These amounts are fully invested until utilised.

12. Trade and other payables from exchange transactions

Trade payables	1,702,072	215,288
Sundry Creditors	163,902	144,764
Accruals	7,129,215	10,917,329
Employee Costs	383,371	387,121
Payments in advance - RSC Levies *	-	1,841
Payments in advance - Other *	3,359	9,214
Payments in advance - DMA Rates *	53,309	17,213
Payments in Advance - DMA Rates Interest *	12	245
Payments in Advance - Service Debtors *	4,968	5,288
Unidentified Deposits	-	41,407
Accrued leave pay *	2,140,619	1,845,924
Infrastructure Projects from Levies *	5,750,750	6,801,028
	17,331,577	20,386,662

* Not financial liabilities.

Normal terms of payment is 30 days and no amortisation was calculated.

The carrying amount of financial liabilities approximates their fair value due to their short-term nature except as detailed hereunder.

The employee costs reconciliation included long outstanding reconciling items that dated back as far as 2002. These reconciling items have been taken to accumulated surplus to the value of R138 690.

The sundry creditors reconciliation included long outstanding reconciling items that dated back as far as 2008. These reconciling items have been taken to revenue to the value of R84 335.

13. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance Bonus	150,716	166,583	(43,885)	(106,831)	166,583
Long service Bonus	-	42,150	-	-	42,150
Balance at end of year	150,716	208,733	(43,885)	(106,831)	208,733

14. Retirement benefit obligation

Post Employment Medical Benefit

Provision for Post Employment Medical Benefit	54,272,472	49,830,454
Short term portion of Provision for Post Employment Medical Benefit	(3,114,384)	(2,916,602)
Total Non-Current Provisions	51,158,088	46,913,852

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14. Retirement benefit obligation (continued)

The District Municipality's net obligation in respect of post employment medical benefits was calculated by Arch Actuarial Consulting as at 30 June 2010. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows is dependent upon the life expectancy of existing members and their spouses. 117

Principle members are currently covered by the fund (2009: 190 Total members (Principle plus dependents))

Valuation Method

Pre-Retirement Benefit

The death in-service benefit is regarded as a post-employment liability under the requirements of IAS 19.

Post Retirement Benefits

The method of accrual that has been used in the valuation is based on the length of service at the valuation date relative to total potential service until the expected retirement date. The future service liability is the difference between the total liability and the past - service liability.

Accrued defined benefit obligation

The accrued liability is the value of the employer's share of the contribution - based liability.

Current Service Cost

The Current Service Cost for the following year is determined as the amount assumed to accrue to the member over the next twelve months.

Valuation Assumptions

Rate of Interest

Medical Aid Inflation Rate 7.32% p.a.

Investment Return 8.82% p.a.

The discount rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market closed on 21 June 2010. This rate does not reflect any adjustment for taxation.

A Health Care inflation rate of 7.32% has been assumed. This is 1.75% in excess of expected CPI inflation over the expected term of the liability, namely 5.57%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.40%, which derives from $(8.82\% - 7.32\%) / 1.0732$.

The expected inflation assumption of 5.57% was obtained from the differential between market yields on index - linked bonds consistent with the estimated term of the liabilities (2.61%) and those of nominal bonds (8.82%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $(8.82\% - 0.50\% - 2.61\%) / 1.0261$.

The next contribution increase was assumed to occur with effect from 1 January 2011.

Mortality Rates

Mortality for pre-retirement benefits has been based on the SA 85-90 mortality table rated down three years for females and on the PA (90) -1 ultimate mortality table for post retirement benefits.

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14. Retirement benefit obligation (continued)

Normal Retirement Age

The Normal Retirement Ages for the Municipality are 65 years for male employees and 60 years for female employees. An average retirement age of 63 years for male employees and 58 years for female employees has been assumed.

Family Profile

It was assumed that 95% of those in - service members who remain on the health care arrangements will be married at retirement. Further, it has been assumed that in - service husbands will be four years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

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

Balance at beginning of year	49,830,455	47,110,017
Expected benefit Payments	(3,114,384)	(2,916,602)
Reflected on the statement of financial performance:		
- Current service cost - included in general expenses.	199,372	164,492
- Interest Cost	5,695,008	5,472,548
- Actuarial (Gain)/loss	1,564,301	-
Balance at end of year	54,174,752	49,830,455

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

Within one year	3,114,384	2,916,602
Later than one year, not later than five years	14,905,285	17,871,281
Later than five years	36,252,802	29,042,572
Balance at end of year	54,272,471	49,830,455

The present value of the defined benefit obligation for the current annual period compared to the previous annual periods are as follows:

Financial Period 2009/10	R 54 272 471
Financial Period 2008/09	R 49 830 454
Financial Period 2007/08	R 47 110 017
Financial Period 2006/07	R 48 241 644
Financial Period 2005/06	R 49 461 662

Accumulative Actuarial (Gain) / Loss

Projected during the year	1,564,301	-
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There was no actuarial gain/loss for 2008/2009.

Withdrawals

Withdrawals from employment were taken into account according to the following table:

Age	Females	Males
20	10%	10%
25	10%	10%
30	7%	7%
35	7%	7%
40	3%	3%
45	3%	3%
50+	0%	0%

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14. Retirement benefit obligation (continued)

Medical Aid Contributions at Retirement

It is assumed that 90% of the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

The above assumptions are consistent with the assumptions used in the previous valuation done at 30 June 2008.

15. Revaluation Reserve

Land and Buildings were valued at 30 June 2010 using the income capitalisation, comparable sales of sectional title office developments and comparable sales methods by Suid Kaap Waardeerders, a registered and independent valuator.

The revaluation surplus is reconciled as follows:

Balance at beginning of the year	59,700,104	43,923,916
Revaluation during the year	<u>1,157,579</u>	<u>15,776,188</u>
Balance at the end of the year	<u>60,857,683</u>	<u>59,700,104</u>

16. Unappropriated surplus

The unappropriated surplus is reserved for the following purpose:

General	<u>179,433,343</u>	<u>192,388,989</u>
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The cash backed portion of the unappropriated surplus is ring fenced for the following purpose:

General	124,836,011	138,199,748
Allowance for impairment	11,381,337	12,920,677
Restructuring grant funds allocated to surplus	<u>15,000,000</u>	<u>15,000,000</u>
	<u>151,217,348</u>	<u>166,120,425</u>

17. Financial Instruments - Financial assets by category

Financial Instruments are classified into the following categories:

Financial Assets: Loans and Receivables

Financial Liabilities: At amortised cost

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

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17. Financial Instruments - Financial assets by category (continued)

2010

	Loans and receivables	Non financial assets	Total
Property, Plant and Equipment	-	72,614,859	72,614,859
Investment Properties	-	12,561,500	12,561,500
Trade and other receivables from exchange transactions	646,059	-	646,059
Other receivables from non-exchange transactions	2,266,977	-	2,266,977
Deposits	21,310	-	21,310
Vat	-	2,824,022	2,824,022
Cash and Cash Equivalents	353,467,967	-	353,467,967
Long term Receivables	21,051	-	21,051
Short term portion of long term receivables	20,623	-	20,623
Intangible assets	-	86,885	86,885
	356,443,987	88,087,266	444,531,253

2009

	Loans and receivables	Non financial assets	Total
Property, Plant and Equipment	-	73,156,249	73,156,249
Investment Properties	-	13,579,500	13,579,500
Trade and other receivables from exchange transactions	67,067	-	67,067
Other receivables from non-exchange transactions	1,764,677	2,811	1,767,488
VAT receivable	-	17,754,480	17,754,480
Cash and Cash Equivalents	416,378,318	-	416,378,318
Long term receivebales	54,566	-	54,566
Short term portion of long term receivables	17,971	-	17,971
Deposits	21,310	-	21,310
	418,303,909	104,493,040	522,796,949

Loans and receivables at amortised cost

Opening balance	418,303,909	394,847,373
Net other movements	(50,478,589)	23,456,536
Closing balance	367,825,320	418,303,909

18. Financial Instruments :Financial liabilities by category

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

2010

	Measured at amortised cost	Non financial liabilities	Total
Long-term Liabilities	21,890	-	21,890
Post employment medical benefit	-	51,158,088	51,158,088
Provisions	-	208,733	208,733
Trade and other payables	9,378,560	7,953,017	17,331,577
Short term portion of Deferred Income	132,318,382	-	132,318,382
Short term portion of Long term liabilities	87,173	-	87,173
Short term portion of the Post Employment Medical Benefit	3,114,384	-	3,114,384
	144,920,389	59,319,838	204,240,227

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18. Financial Instruments :Financial liabilities by category (continued)

2009

	Measured at amortised cost	Non financial liabilities	Total
Long term Liabilities	42,195	-	42,195
Post employment medical benefit	-	46,913,853	46,913,853
Provisions	-	150,716	150,716
Trade and other payables from exchange transactions	11,664,500	8,722,161	20,386,661
Short term portion of deferred income	191,772,390	-	191,772,390
Short term portion of long term liabilities	52,392	-	52,392
Short term portion of Post Employment Medical Benefit	2,916,602	-	2,916,602
Bank overdraft	8,473,051	-	8,473,051
	<u>214,921,130</u>	<u>55,786,730</u>	<u>270,707,860</u>

Financial liabilities at amortised cost

Opening balance		214,921,125	204,044,432
Net other movements		(70,000,736)	10,876,693
Closing balance		<u>144,920,389</u>	<u>214,921,125</u>

19. Government grants and subsidies

Government grants

Equitable Share		<u>63,645,546</u>	<u>57,438,471</u>
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Provincial subsidies

Contribution to Retirement benefits - (Roads pensioners)		<u>3,232,914</u>	<u>3,015,904</u>
Environmental Health		<u>-</u>	<u>4,526,388</u>

Total Provincial Subsidies

3,232,914 **7,542,292**

Total Government Grants and Subsidies received

66,878,460 64,980,763

National/Provincial Government Grant funding (expenditure reimbursement)

PHB Debtor		-	535,369
Assets financed from grants		457,100	172,175
Assets financed from PHC grant		534,120	-
Sundries		-	112,632
Direct Transfers -			
- Ambulance		-	(304,158)
- Free Basic Service		-	(1,000)
- Primary Health Care		36,111,603	26,414,124
- Transferred to Health		-	(1,442,075)
Total national/provincial government grants (expenditure reimbursements)		<u>214,933,224</u>	<u>131,193,952</u>

Total Government Grants and Subsidies

281,811,684 196,174,715

Equitable share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to the DMA and Rietbron. The balance is used to supplement the Municipality's revenue as discretionary income is insufficient.

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19. Government grants and subsidies (continued)

DORA

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.

National Treasury: Circular 48

The municipality has received confirmation from the National Treasury that no unspent grant money would need to be repaid in respect of the previous financial periods.

Refer to appendix F for additional information.

20. Total Revenue - includes

Other revenue:

Bad debts recovered	-	2,068,136
Contribution from skill development fund	209,118	174,825
Printing costs recovered	808,477	589,203
Infrastructure projects funded from infrastructure contingency fund	1,050,279	1,143,251
Other	1,843,010	486,391
Total other Revenue	3,910,884	4,461,806

Revenue from Exchange Transactions

Tariffs and Charges	239,970	226,782
Property Rates	174,301	30,869
Rental	991,168	868,309
Investment Interest	30,800,701	42,727,659
Other Interest	17,730	233,693
Income from Agency Services	29,698	27,193
Total revenue from exchange transactions (Excl VAT)	32,253,568	44,120,829

Revenue from Non Exchange Transactions

Government Grants and Subsidies	281,811,684	196,174,715
Other Revenue	3,910,884	4,651,569
Total revenue from non exchange transactions (Excl. VAT)	285,722,568	200,824,692

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21. Employee costs

Basic	30,427,992	27,558,709
Remuneration of Councillors (Refer Note 22)	<u>4,538,969</u>	<u>4,472,292</u>
Total Employee Costs	34,966,961	32,031,001

Set out below are the details for remuneration for Directorate Heads:

Remuneration of Municipal Manager

Annual Remuneration	762,123	729,161
Car Allowance	<u>156,000</u>	<u>156,000</u>
	918,123	885,161

Remuneration of the Director Finance and Corporate Services

Annual Remuneration	672,379	627,693
Car Allowance	144,000	144,000
Performance Bonuses	<u>43,885</u>	<u>35,217</u>
	860,264	806,910

Remuneration of the Director Health Services

Annual Remuneration	740,441	410,578
Car Allowance	<u>96,000</u>	<u>96,000</u>
	836,441	506,578

Remuneration of the Director Infrastructure Services and Planning

Annual Remuneration	705,856	667,411
Car Allowance	<u>100,000</u>	<u>100,000</u>
	805,856	767,411

Remuneration of the Director Economic Development

Annual Remuneration	677,857	646,533
Car Allowance	<u>140,004</u>	<u>140,004</u>
	817,861	786,537

22. Remuneration of councillors

Mayoral Committee Members	2,892,253	2,766,718
Speaker	483,326	607,974
Councillors	<u>1,163,390</u>	<u>1,097,600</u>
	4,538,969	4,472,292

In-kind benefits

The Executive Mayor and the Mayoral Committee Members are full time and are provided with offices and secretarial support at the cost of the Council.

The Executive Mayor has use of a Council owned vehicle for official duties.

23. Finance costs

Finance leases	<u>109,968</u>	<u>152,155</u>
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Refer to note 10 for more information.

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Figures in Rand	2010	2009
26. Restatement of prior year errors (continued)		
24. Bulk purchases		
Water purchases - DMA	<u>12,621</u>	<u>12,621</u>
25. Conditional Grants Expenditure and other Grants and Subsidies paid		
<u>Disclosed in the statement of Financial performance</u>		
Under Conditional Grant expenditure	212,410,247	127,036,930
Under Salaries and Wages	500,665	438,144
Under General Expenses	31,093	28,193
Under Salaries maintenance and general (Disaster management operating expenses)	<u>1,000,000</u>	<u>1,000,000</u>
Total Conditional Grants and Subsidies paid	<u>213,942,005</u>	<u>128,503,267</u>
<u>Grants and subsidies paid from own and unconditional grant funding:</u>		
Sundries	3,288,034	3,003,230
Kouga Development Agency (KDA)	800,000	550,000
Environmental Health Subsidies	<u>5,857,552</u>	<u>5,889,964</u>
Total Conditional Grants and Subsidies paid	<u>9,945,586</u>	<u>9,443,194</u>
26. Restatement of prior year errors		
<u>Adjustments to surplus opening balance 2009:</u>		
Levies adjusted		189,759
General Expenses Adjusted		856,942
Employee Costs Adjusted		170,538
Grant expenditure Adjusted		(949)
Rental income Adjusted		(4,456)
Grant income Adjusted		(1,592)
Service income Adjusted		780
Adjustments to assets		<u>183,478</u>
		1,394,500
<u>Adjustments to surplus opening balance 2009:</u>		
<u>During the year under review it was discovered that:</u>		
Prior year expenditure correction - General Expenses - Koukamma LM service account received late and paid in the current financial year relating to prior year expenditure		276
Prior year expenditure correction - General Expenses - Ikwezi LM service account received in the current year relating to previous financial year expenditure		28,416
Prior year expenditure correction - General Expenses - Received credit note from AON Insurers for Public Contractors Insurance paid in previous financial year.		(27,379)
Prior year expenditure correction - General Expenses - Returned cheques for AIDS volunteers		(21,000)
Prior year expenditure correction - General Expenses - SALGA fees corrections - Health charged as part of CDM expenditure		(151,694)
Prior year expenditure correction - General Expenses - Concord corrections made on airport taxes		(29,271)

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<u>26. Restatement of prior year errors (continued)</u>		
Prior year expenditure correction - General Expenses - Reversal of Cheque drawn for Koukamma LM for Environmental Health for services now performed by CDM		(282,910)
Prior year employee costs adjustments - Adjusting Workmans Compensation accrual as invoice received late		22,078
Prior year employee costs adjustments - Reconciling balances older than two years written off		(217,702)
Prior year employee costs adjustments - SARS audit - Group life deductions done incorrectly. Additional costs corrected and paid over to SARS.		366,162
VAT - corrections i.r.o prior years - Conditional Grant Expenditure - SARS audit revealed double claims on expenditure, which resulted from confusion of the VAT auditors issuing two reports		1,334,097
Service income adjustments - Correction of Prior year income raised that should not have been raised at all		780
Assets adjusted - Correction of opening balances reconciled to Fixed Asset Register - Identified assets that were included in the CDM fixed asset register, but were transferred to local municipalities in prior years		183,478
Prior year expenditure correction - General Expenses - Safety Deposit Box not charged in prior years		400
Prior year expenditure correction - General Expenses - June 2009 maintenance contract expenditure for the Gestetner photostat machine processed in the current year as the debit order reflected in July 2009		5,630
Prior year expenditure correction - General Expenses - Reimbursement of expenditure incurred in prior year by DMA Manager - Claim submitted in current year		377
Grant Expenditure adjustment - Cheque issued no longer required - Cheque older than six months - Expense has been paid by First Auto.		(949)
RSC Levy income adjustment - All income relates to prior periods as levies have been abolished		189,759
Rental income adjusted - correction of income raised for previous period not included in prior year accounts		(4,456)
Grant income adjusted - Transferred to Accumulated surplus as conditions have been met		(1,592)
Net effect on the Accumulated surplus account		<u>1,394,500</u>

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26. Restatement of prior year errors (continued)		
	2009	As Previously
	Restated	Stated
Revenue		
Rental	859,397	863,853
Investment Interest	42,737,659	42,737,659
Other Interest	223,693	223,693
Income from agency services	27,193	27,193
Government Grants and Subsidies	196,171,531	196,173,123
Tariffs and charges	227,562	227,562
Property Rates	30,869	30,869
Fair Value Gain on Revaluation of Investment Property	9,996,500	9,996,500
Other Revenue	4,652,349	4,651,569
	254,926,753	254,932,021
Expenses		
Employee Related costs	27,558,709	27,388,171
Remuneration of Coucillors	4,472,291	4,472,291
Contribution to bad debt provision	1,555,518	1,555,518
Bad debts written off	1,423,769	1,423,769
Collection costs	119,130	119,130
Depreciation	2,455,438	2,455,438
Repairs and maintenance	1,033,339	1,033,339
Finance costs	152,155	152,155
Bulk Services	12,621	12,621
Contracted services	3,115,212	3,115,212
Conditional Grant Expenditure	127,036,930	127,037,879
Other Grants and Subsidies paid	9,443,194	9,443,194
General Expenses - other	44,075,467	43,028,766
Discounting of post retirement benefit obligation	5,472,548	5,472,548
Loss on disposal of property, plant and equipment	923,769	923,769
Impairment loss	283,035	283,035
	229,133,125	227,916,835
Surplus for the year	25,793,628	27,015,186
27. Cash used in operations		
Adjustments for:		
Depreciation	2,168,431	2,455,438
Loss/(Gain) on Disposal of property, plant and equipment	2,705,687	923,769
Bad debts written off	-	1,423,772
Investment income	(30,818,431)	(42,961,352)
Finance costs	109,968	152,155
Fair value adjustments	868,500	(9,996,500)
Impairment loss	179,033	283,035
Discounting of Post Employment Medical Benefit Obligation	5,695,008	5,472,549
Loss / (Gain) on Actuarial valuation for post employment medical benefits	1,564,301	-
Contributions to provisions	58,017	150,716
Contribution to Health	-	(581,361)
Service cost	199,372	164,492
Prior year corrections	(1,211,022)	1,211,022
Changes in working capital:		
Trade and other receivables	(1,078,481)	26,342
Deposits paid	-	(5,190)
Trade and other payables from exchange transactions	(3,055,085)	(6,474,332)
VAT	14,930,459	-
Short term portion of deferred income	(59,454,008)	13,434,146
	(77,643,524)	(8,517,141)

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28. Finance Leases Reconciliation		
Cacadu District Municipality has external loans in the form of finance leases. Refer to Appendix A		
29. Contingent Liability		
A possible liability exists in respect of an obligation in terms of a development and construction contract. The pleadings in the case have not yet closed.	476,632	476,632
A possible liability exists in respect of damages claimed for the loss of insurance payouts by a former employee due to late submission of claim documents.	268,320	145,000
A possible liability exists in respect of duplicate VAT invoices being claimed in previous financial years based on a SARS audit. The findings of this audit is not finalised and it is uncertain as to what the final amount would be.	-	1,700,249
A possible liability exists in respect of damages claimed for the damage caused by a fire truck that collided with a train.	272,665	-
	<u>1,017,617</u>	<u>2,321,881</u>
30. Contingent Assets		
A possible asset exists in respect of a claim in terms of defective workmanship and overpayment for work done.	<u>2,000,000</u>	<u>2,000,000</u>
31. Unauthorised, irregular, fruitless and wasteful expenditure		
<u>Unauthorised expenditure</u>		
No unauthorised expenditure was incurred in the current and previous financial years.		
<u>Irregular, fruitless and wasteful expenditure</u>		
No irregular, fruitless or wasteful expenditure was incurred in the current and previous financial years.		
32. Additional disclosure in terms of Municipal Finance Management Act		
<u>Contributions to SALGA</u>		
Opening balance	-	-
Council subscription	249,094	153,929
Amount paid - current year	(249,094)	(153,929)
Amount paid - previous years	<u>-</u>	<u>-</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>

During the current year, it was noted that SALGA has charged fees based on incorrect budgeted figures for remuneration by including the remuneration for the Department of Health. A net credit totaling R151 694 was received for incorrect charges during the current year relating to the prior years' contribution. Refer note 26. The increase in the subscriptions for 2010 is as a result of an increase in the rate charged by SALGA as well as an increase in the budgeted remuneration amount.

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<u>32. Additional disclosure in terms of Municipal Finance Management Act (continued)</u>		
<u>External Audit fees</u>		
Current year audit fee	1,592,452	1,132,108
Amount paid - current year	<u>(1,592,452)</u>	<u>(1,132,108)</u>
Balance due (included in debtors)	<u>-</u>	<u>-</u>
<u>PAYE and UIF</u>		
Opening balance	362	22,298
Current year payroll deductions	9,414,090	7,678,656
Amount paid - current year	(9,412,090)	(7,678,294)
Amount paid - previous years	<u>(362)</u>	<u>(22,298)</u>
	<u>2,000</u>	<u>362</u>
<u>Pension and Medical Aid Deductions</u>		
Opening balance	(50,491)	(50,491)
Current year payroll deductions and Council Contributions	2,109,576	2,815,408
Amount paid - current year	(2,109,576)	(2,815,408)
Amount paid - previous years	<u>50,491</u>	<u>-</u>
	<u>-</u>	<u>(50,491)</u>

33. Capital Commitments

No capital commitments existed during the year.

34. Post Employment Benefit Information

Post Employment Medical Benefit

Provision is made for post employment medical benefits in the form of health care plans for eligible employees and pensioners.

Retirement Fund Benefits

Employees and Council contribute to the Cape Joint Retirement Funds on the basis of a fixed contribution, which is charged against income as incurred.

35. In-kind donations and assistance

Council has resolved to donate a long outstanding amount (previously raised as a debtor) in 2008 for expenditure incurred for the Department of Health based on the agency function performed. The amount of the grant in aid was R3 112 342.

36. Agency functions

The District Municipality provides Primary Health Care services on an agency basis on behalf of the Eastern Cape Health department. During the previous financial year the council has resolved to terminate the agreement. The process has been initiated, but it is considered to be a lengthy process. The hand over is considered to be January 2011.

37. Risk management

Liquidity risk

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

CACADU DISTRICT MUNICIPALITY

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37. Risk management (continued)

commitments and credit facilities.

Stringent cash management procedures are in place. These include cash flow forecasting.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

At 30 June 2010	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Trade and other payables	9,378,560	-	-	-
Other Payables	-	140,271,399	-	-
At 30 June 2009	1-3 months	> 3 months	Between 2 and 5 years	Over 5 years
Trade and other payables	11,664,500	-	-	-
Other Payables	-	200,340,023	-	-

Interest rate risk

The current account and the call account expose the municipality to cash flow interest rate risk. Deposits attract interest at a rate that varies according to the prime banking rate.

The municipality manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

The interest rates on the fixed deposits are fixed, but varies from investment to investment.

Should the prime rate vary by 1% either direction, the effect on the cash balance would be R3.5 million in each way.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and debtors. The Municipality only deposits cash with banks which have an equity above R 10 billion with a good credit rating.

The most significant concentration of credit risk is the outstanding RSC levy and Department of Housing (Housing Scheme) receivables.

Management believes that the Allowance for impairment adequately addresses the credit risk involved.

38. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

39. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix E(2) for the comparison of actual capital expenditure versus budgeted expenditure.

40. Events after the reporting date

None

CACADU DISTRICT MUNICIPALITY

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41. Compliance with chapter 11 of the Municipal Finance Management Act

The Municipality has adopted a Supply Chain Management policy with effect from 1 January 2006 in accordance with the Act and applicable regulations. However, the Municipality has experienced difficulties in populating a comprehensive supplier database which is due to a poor response from potential suppliers. As a result the application of the regulations has not been fully implemented.

42. Related parties

Kouga Development Agency

The Kouga Development Agency (KDA) was established as a multi- jurisdictional service utility in terms of the Local Government Systems Act, 2000 in 2004 in a joint venture between the Cacadu District Municipality and the Kouga Local Municipality .

KDA, funded by the parent municipalities and the Industrial Development Corporation, aims to leverage public and private resources for development around opportunities which offer investment, employment, economic and development potential in the Kouga area.

CDM has made a contribution of R800 000 during the current financial year (2009: R550 000) towards the operating costs of KDA.

No other transaction was entered into with KDA.

Post retirement medical aid benefit plan

The municipality, as part of the conditions of service of employees, keeps on contributing its portion of the contributing members to medical aid funds at the retirement of these employees for as long as this member is alive and contributing his or her portion.

The medical aid schemes involved are as follows:

- Bonitas
- Hosmed/ Key Health
- LA Health
- Samwumed

Transactions with these schemes amounted to R1 873 748 (2009: R2 911 501)

Councillors and employees

Councillors and employees have declared no interest or gain in or from any transaction entered into with CDM by any organisation or business.

Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director of Cacadu District Municipality:

Executive Mayor
Speaker
Mayoral Committee members
Councillors
Municipal Manager
Director: Infrastructure Services and Planning
Director: Economic Development
Director: Finance and Corporate Services
Director: Health Services

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43. Key sources of estimated uncertainties

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

44. Investment property

	Cost / Valuation	2010 Accumulated depreciation	Carrying value	Cost / Valuation	2009 Accumulated depreciation	Carrying value
Investment property	12,561,500	-	12,561,500	13,579,500	-	13,579,500

Reconciliation of investment property - 2010

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	13,579,500	(149,500)	(868,500)	12,561,500

Reconciliation of investment property - 2009

	Opening balance	Fair value adjustments	Total
Investment property	3,583,000	9,996,500	13,579,500

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

Details of valuation

Investment Property was valued at 30 June 2010 on the basis of willing buyer and willing seller by Suid Kaap Waardeerders, a registered and independent valuator. A register is available for inspection at the Cacadu District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth.

45. Intangible assets

	Cost / Valuation	2010 Accumulated amortisation	Carrying value	Cost / Valuation	2009 Accumulated amortisation	Carrying value
Computer software	86,885	-	86,885	-	-	-

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Total
Computer software	-	86,885	86,885

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46. Significant estimates and judgements

The preparation of CDM's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the municipality's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements

Bridging funding for housing projects is judged to be virtually irrecoverable from the Department of Provincial Housing due to problems locating and obtaining "happy letters" from participants in these projects. The amount of R9 225 234 (2009: R8 026 342) was included in the provision for bad debts.

RSC levy debtors are judged to be 100 % irrecoverable due to legislative problems in recovering the outstanding amounts and the abolition of the Act. Therefore provision was made for R1 192 178, (2009: R1 433 677) on the allowance for doubtful debts.

It is judged that service receivables from Rietbron are virtually irrecoverable due to the unemployment and poverty of the community. R416 787 (2009: R 161 519) was provided for and included in the allowance for doubtful debts.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Post Employment Medical Benefit

The cost of post employment medical benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, medical aid inflation rate, future salary increases, mortality rates and future medical aid premiums, future subsidies payable to dependants, working life time of employees, gender and spouse assumptions and child dependence and withdrawals. Such estimates are subject to significant uncertainty relating actuarial assumptions. The net employee liability at 30 June 2010 is R54 272 471 (2009: R49 830 454). Further details are given in Note 4.

The effective interest rate for discounting was estimated at 0.5% below prime.

Useful lives

The estimates and associated assumptions are based on the historical experience and management's estimation of conditions. Limited changes were made to the useful lives of property, plant and equipment, as management mainly assessed that the estimated useful lives in the prior years, are still appropriate.

Residual values

Residual values of property, plant and equipment are based on the nature of the assets, quotes obtained from suppliers and management's estimation of condition. No changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated residual values determined in the prior year, remained appropriate.

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47. Standards of GRAP issued but not yet effective

The following standards have been issued but are not yet effective:

GRAP 18: Segment reporting

GRAP 21: Impairment of non cash generating assets

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

GRAP 24: Presentation of budget information in the financial statements

GRAP 26: Impairment of cash generating assets

GRAP 103: Heritage assets

GRAP 18: Segment reporting

As CDM is mainly in a supporting function to the municipalities within its jurisdiction the application of this standard is not expected to have a major impact on the accounting procedures and disclosures.

GRAP 21: Impairment of non cash generating assets

A major portion of CDM's assets are non cash generating of nature and application of this standard will have an effect on the presentation of assets. But as there are no real major changes to applying IPSAS 21 the impact is not anticipated to be severe.

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

A major portion of CDM's revenue consists of grants (transfers) and the principles of this standard has been practically adopted and applied as far as it relates to grants. No problems are anticipated when introducing this standard.

GRAP 24: Presentation of budget information in the financial statements

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

GRAP 26: Impairment of cash generating assets

The biggest problem here would seem to be the identification of such assets as the definition differs from IAS 36 and GRAP 26. The application does not differ greatly from IAS 36.

GRAP 103: Heritage assets

Currently no heritage assets were identified for CDM.

Appendix A: Schedule of external loans

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APPENDIX A

June 2010

SCHEDULE OF FINANCE LEASES FOR THE YEAR ENDED 30 JUNE 2010

	Loan Number	Redeemable	Balance at	Finance	Payments	Balance at	Net book value	Short term	Present
			Tuesday, June 30, 2009	charges for the year	received	Wednesday, June 30, 2010	of assets under finance leases	portion	value of future min. payments - within 2 - 5 years)
			Rand	Rand	Rand	Rand	Rand	Rand	Rand
FINANCE LEASES									
Photostat Machine - Gestetner	1	10/31/2010	13,758	101,387	59,265	55,880	-	55,880	-
Photostat Machine - Panasonic	2	04/30/2012	43,463	4,861	18,420	29,904	35,862	15,430	14,474
Photostat Machine - Panasonic	3	09/30/2011	19,781	1,855	10,020	11,616	-	9,157	2,458
Photostat Machine - Sharp	4	02/28/2012	17,584	1,867	7,788	11,663	-	6,706	4,956
			94,586	109,970	95,493	109,063	35,862	87,173	21,888

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APPENDIX B

June 2010

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2010

	Cost/Revaluation				Accumulated Depreciation				
	Opening Balance Rand	Additions/ revaluations Rand	Impairment Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying Value Rand
Land									
PPE	39,504,920	695,230	-	2,106,050	38,094,100	-	-	-	38,094,100
Investment Property	13,126,000	(774,500)	-	149,500	12,202,000	-	-	-	12,202,000
	52,630,920	(79,270)	-	2,255,550	50,296,100	-	-	-	50,296,100
Buildings									

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PPE	23,239,705	462,350	-	349,770	23,352,285	-	-	-	23,352,285	
Investment Property	453,500	(94,000)	-	-	359,500	-	-	-	359,500	
	23,693,205	368,350	-	349,770	23,711,785	-	-	-	23,711,785	
Furniture and fixtures										
PPE	1,499,187	377,294	(4,835)	80,509	1,791,137	509,340	104,416	613,756	1,177,381	
Specialised vehicles										
PPE	1,011,309	110,043	-	-	1,121,352	266,912	67,381	334,293	787,059	
Office equipment										
PPE	1,219,933	136,507	(903)	10,290	1,345,247	823,766	102,081	925,847	419,400	
Computer equipment										
PPE	4,273,110	249,547	-	7,319	4,515,338	3,241,288	390,885	3,632,173	883,165	
Electricity Infrastructure										
PPE	280,254	-	-	-	280,254	170,592	26,485	197,077	83,177	
Bins and Containers										
PPE	10,821	-	-	-	10,821	9,739	1,082	10,821	-	
Motor Vehicles										
PPE - CDM - H/O	6,074,706	1,701,319	(173,295)	-	7,602,730	2,448,733	757,028	3,205,761	4,396,969	
PPE - CDM - Health	3,236,055	534,120	-	-	3,770,175	569,662	492,387	1,062,049	2,708,126	
	9,310,761	2,235,439	(173,295)	-	11,372,905	3,018,395	1,249,415	4,267,810	7,105,095	
Water distribution										
PPE	162,893	-	-	-	162,893	96,215	15,746	111,961	50,932	

CACADU DISTRICT MUNICIPALITY

APPENDIX B

June 2010

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2010

	Cost/Revaluation				Accumulated Depreciation				
	Opening Balance Rand	Additions/ revaluations Rand	Impairment Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Closing Balance Rand	Carrying Value Rand
Specialised Plant and Machinery									
PPE - Leased	342,757	-	-	-	342,757	269,062	37,833	306,895	35,862
PPE - Owned	1,802,115	95,853	-	2,250	1,895,718	1,096,207	173,108	1,269,315	626,403
	2,144,872	95,853	-	2,250	2,238,475	1,365,269	210,941	1,576,210	662,265
Intangible asset									
PPE - Computer software	-	86,885	-	-	86,885	-	-	-	86,885
Total									
Land	52,630,920	(79,270)	-	2,255,550	50,296,100	-	-	-	50,296,100
Buildings	23,693,205	368,350	-	349,770	23,711,785	-	-	-	23,711,785
Furniture and fixtures	1,499,187	377,294	(4,835)	80,509	1,791,137	509,340	104,416	613,756	1,177,381
Specialised vehicles	1,011,309	110,043	-	-	1,121,352	266,912	67,381	334,293	787,059
Office equipment	1,219,933	136,507	(903)	10,290	1,345,247	823,766	102,081	925,847	419,400
Computer equipment	4,273,110	249,547	-	7,319	4,515,338	3,241,288	390,885	3,632,173	883,165
Electricity Infrastructure	280,254	-	-	-	280,254	170,592	26,485	197,077	83,177
Bins and Containers	10,821	-	-	-	10,821	9,739	1,082	10,821	-
Motor Vehicles	9,310,761	2,235,439	(173,295)	-	11,372,905	3,018,395	1,249,415	4,267,810	7,105,095
Water distribution	162,893	-	-	-	162,893	96,215	15,746	111,961	50,932
Specialised Plant and Machinery	2,144,872	95,853	-	2,250	2,238,475	1,365,269	210,941	1,576,210	662,265
Intangible asset	-	86,885	-	-	86,885	-	-	-	86,885
	96,237,265	3,580,648	(179,033)	2,705,688	96,933,192	9,501,516	2,168,432	11,669,948	85,263,244

CACADU DISTRICT MUNICIPALITY

APPENDIX C

June 2010

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2010

Cost / Revaluations

Accumulated Depreciation

	Opening Balance 01 July 2009 Rand	Revaluation Rand	Additions Rand	Impairment Rand	Disposals Rand	Closing Balance 30 June 2010 Rand	Opening Balance 01 July 2009 Rand	Depreciation Rand	Disposals Rand	Closing Balance Rand	Carrying Value 30 June 2010 Rand
Executive and Council	2,817,026	-	236,820	(2,383)	(95,335)	2,956,128	1,256,647	291,740	(86,263)	1,462,124	1,494,004
Finance and Administration	81,684,019	289,080	1,310,389	(3,238)	(2,878,337)	80,401,913	3,055,115	516,434	(236,988)	3,334,561	77,067,352
Planning and Development	2,369,185	-	583,281	(173,412)	(59,713)	2,719,341	1,460,065	336,695	(36,469)	1,760,291	959,050
Health	4,576,129	-	534,120	-	-	5,110,249	1,780,090	492,387	-	2,272,477	2,837,772
Housing	62,674	-	9,443	-	(13,644)	58,473	48,655	5,958	(9,027)	45,586	12,887
Public safety	4,017,000	-	617,515	-	(77,722)	4,556,793	1,456,509	459,263	(51,784)	1,863,988	2,692,805
Road Transport	266,005	-	-	-	(2,601)	263,404	176,398	24,886	(1,487)	199,797	63,607
Water	179,973	-	-	-	(601)	179,372	110,196	16,405	(247)	126,354	53,018
Electricity	265,254	-	-	-	-	265,254	157,842	24,663	-	182,505	82,749
Total	96,237,265	289,080	3,291,568	(179,033)	(3,127,953)	96,510,927	9,501,516	2,168,431	(422,265)	11,247,682	85,263,244

CACADU DISTRICT MUNICIPALITY

APPENDIX D

June 2010

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income Rand	2009 Actual Expenditure Rand	2009 Surplus/ (Deficit) Rand		2010 Actual Income Rand	2010 Actual Expenditure Rand	2010 Surplus/ (Deficit) Rand
6,624,321	38,609,746	(31,985,425)	Executive and Council	178,898	33,238,190	(33,059,292)
106,494,041	23,376,985	83,117,056	Finance and Administration	99,638,019	23,602,497	76,035,522
26,465,401	35,538,295	(9,072,894)	Planning and Development	16,342,840	29,349,658	(13,006,818)
26,500,497	25,528,203	972,294	Health Community and Social services	36,897,527	45,519,209	(8,621,682)
3,462,834	3,456,878	5,956		15,553	80,734	(65,181)
698,442	410,374	288,068	Housing	1,210,220	2,896,938	(1,686,718)
5,252,689	12,495,141	(7,242,452)	Public safety	5,156,758	10,625,630	(5,468,872)
536,902	536,902	-	Sport and Recreation	1,057,418	2,169,724	(1,112,306)
82,216	7,755	74,461	Waste Management	96,060	7,646	88,414
222,542	222,542	-	Waste Water Management	-	-	-
68,535,553	71,191,066	(2,655,513)	Road Transport	142,729,228	147,933,299	(5,204,071)
8,377,117	9,740,391	(1,363,274)	Water	9,664,514	15,283,540	(5,619,026)

))
41,272	134,986	(93,714)	Electricity	54,221	4,854,077
					(4,799,856)
1,452,111	7,692,516	(6,240,405)	Other	1,352,510	9,337,897
)			(7,985,387)
254,745,9				314,393,7	(10,505,27
38	228,941,780	25,804,158	Total	66	324,899,039
					3)

CACADU DISTRICT MUNICIPALITY

APPENDIX E(1)

June 2010

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

	Current year 2010	Prior year 2009	Variance	Current year 2010	Variance 2010	Variance	
	Actual June Rand	Actual June Rand	Actual %	Budget June Rand	Budget vs Actual June Rand	Budget vs Actual %	
Revenue							
Property rates	174,301	30,869	465%	214,699	(40,398)	-19%	Implementation of additional source of rebate for agricultural sector
Rental Income	991,168	868,309	14%	880,000	111,168	13%	General inflationary increase in rental as per agreement
Tariffs and charges	239,970	226,782	6%	250,600	(10,630)	-4%	N/A
	1,405,439	1,125,960		1,345,299	60,140		
Other income							
Other income	287,291,608	210,660,214	36%	376,467,427	(89,175,819)	-24%	Contribution from surplus not utilised
Interest received - investment	30,818,431	42,961,352	-28%	25,762,000	5,056,431	20%	Higher than expected interest rates in current year
	318,110,039	253,621,566		402,229,427	(84,119,388)		
Expenses							
Employee related costs	(34,966,961)	(32,031,001)	9%	(42,515,700)	7,548,739	-18%	All positions on organogram are budgeted for, but not all positions are filled
Depreciation	(2,168,431)	(2,455,438)	-12%	(2,216,000)	47,569	-2%	N/A
Repairs and maintenance	(1,349,999)	(1,033,339)	31%	(2,542,290)	1,192,291	-47%	Contributions from surplus not fully utilised
Finance costs	(109,968)	(152,155)	-28%	-	(109,968)	100%	The Gestetner finance lease has been extended by another year resulting in an increase in expected finance charges
Bulk purchases	(12,621)	(12,621)	0%	(15,000)	2,379	-16%	Less water purchases done than estimated due to water shortages
Conditional Grant Expenditure	(212,410,247)	(127,036,930)	67%	(264,869,448)	52,459,201	-20%	Lower expenditure on projects than expected
General expenses	(75,249,304)	(65,015,080)	16%	(91,416,288)	16,166,984	-18%	Contribution from surplus not fully utilised

Impairments	(179,033)	(283,035)	-37%	-	(179,033)	100%	Impairment considered at year end as part of accounting year end entries and thus not budgeted for
Loss on donations and transfers of property, plant and equipment	(2,705,687)	(923,769)	193%	-	(2,705,687)	100%	Transnet houses transferred in bulk that was long outstanding
Fair value adjustments	(868,500)	-	-100%	-	(868,500)	100%	Valuations done at year end and accounting year end entries are not considered during budget period
	<u>(330,020,751)</u>	<u>(228,943,368)</u>		<u>(403,574,726)</u>	<u>73,553,975</u>		
Other revenue and costs							
Net surplus/ (deficit) for the year	<u>(10,505,273)</u>	<u>25,804,158</u>		<u>-</u>	<u>(10,505,273)</u>		

CACADU DISTRICT MUNICIPALITY

APPENDIX E(2)

June 2010

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

	2010 Total Additions Rand	2010 Budget Rand	2010 Variance Rand	2010 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
OTHER ASSETS					
Land	-	150,000	150,000	100.00%	Provision for cemeteries not utilised
Land	-	150,000	150,000	100.00%	
Computer Hardware	336,432	344,000	7,568	2.20%	
Computer equipment	336,432	344,000	7,568	2.20%	
Chairs	109,281	114,100	4,819	4.22%	
Tables/Desks	244,853	261,000	16,147	6.19%	Boardroom furniture was budgeted for Personnel Management but not purchased
Miscellaneous	23,159	24,000	841	3.50%	
Furniture and fittings	377,294	399,100	21,806	5.46%	
Motor Vehicles	2,235,439	3,270,000	1,034,561	31.64%	Three vehicles included in the budget were not purchased
Motor vehicle	2,235,439	3,270,000	1,034,561	31.64%	
Office Machines	136,507	430,000	293,493	68.25%	Air conditioners were supplied at a lower price than budgeted for
Office equipment	136,507	430,000	293,493	68.25%	

Fire Maintenance	95,853	1,296,000	1,200,147	92.60%	Provision was made to comply with Fire regulations in Standard Bank Building of which only the fire hydrant valves were completed in this year
Specialised plant and equipment	95,853	1,296,000	1,200,147	92.60%	
Fire trailers and sundries	110,043	730,000	619,957	84.93%	Provision was made for hazmed trailers and skid units for Local Municipalities
Specialised vehicles	110,043	730,000	619,957	84.93%	
Grand Total	3,291,568	6,619,100	3,327,532	50.27%	

CACADU DISTRICT MUNICIPALITY

APPENDIX F

June 2010

CONDITIONAL GRANTS AND RECEIPTS FOR THE YEAR ENDED 30 JUNE 2010

	Unspent Balance 30 June 2009 Rand	Contributions/ Adjustments Rand	Current Year Receipts Rand	Interest Allocated Rand	Transfer to Revenue Rand	Capital Expenditure Rand	Transfers Rand	Unspent Balance 30 June 2010 Rand	Conditions Complied With
CAPACITY BUILDING FOR COUNCIL	57,400	-	-	-	26,954	-	-	30,446	Yes
GOAT FARMING AT IKHWEZI LM	2,231,109	-	-	-	2,200,000	-	-	31,109	Yes
LIBRARIES - MUNICIPALITIES	1,857,234	-	2,974,500	-	3,309,902	-	-	1,521,832	Yes
DISASTER MANAGEMENT	9,105,140	-	-	-	4,850,129	301,897	-	3,953,114	Yes
FINANCE MANAGEMENT GRANT	737,953	-	750,000	-	1,401,068	86,885	-	-	Yes
MUNICIPAL SYSTEM IMPROVEMENT GRANT	612,791	-	735,000	-	932,437	-	-	415,354	Yes
IDP SUPPORT GRANT FOR LM'S AND DM'S	1,243,609	-	-	-	683,827	-	-	559,782	Yes
RESTRUCTURING GRANT	2,056,152	-	-	-	526,599	-	-	1,529,553	Yes
STEYTLERVILLE SPORT FIELD	296,609	-	-	-	296,059	-	-	550	Yes
HOUSING PROJECTS	842,928	763,867	-	-	763,867	-	-	842,928	Yes

HONEYBUSH TEA	163,073	-	-	-	-	-	-	163,073	Yes
PEOPLES HOUSING PROJECT	10,287,463	435,025	30,750	855,272	439,000	-	-	11,169,510	Yes
RURAL ACCESS ROADS	838	-	-	-	-	-	838	-	Yes
TOURISM PLANS - DEAT	4,142	-	-	-	-	-	-	4,142	Yes
MUNICIPAL GRANT LED	726,011	-	-	-	-	-	-	726,011	Yes
YOUTH CENTRE - SOMERSET EAST	271,541	-	-	-	41,740	-	-	229,801	Yes
IKWEZI - HARDWOOD FARM	230,092	-	-	-	230,092	-	-	-	Yes
NDLAMBE DISABILITY SPECIAL PROJECTS	4,329	-	-	-	-	-	-	4,329	Yes
PASSENGER TRANSPORT PLANS AND FACILITIES	1,789,498	-	123,222	-	-	-	-	1,912,720	Yes
PILOT HOUSING PROJECT - ADDO	796,254	-	-	-	-	-	-	796,254	Yes
LAND SURVEY PROJECTS	340,601	-	-	-	148,982	-	-	191,619	Yes
SPATIAL PLANNING PROJECTS	260,560	-	-	-	131,950	-	-	128,610	Yes
MULTIANNUAL ACTION PLANS - MAAP	3,374,056	-	-	-	967,133	-	-	2,406,923	Yes
MIG	4,166,245	-	6,099,000	-	6,525,389	68,318	-	3,671,538	Yes
PUBLIC WORKS PROJECTS	1,021,751	-	-	-	278,839	-	-	742,912	Yes
BUILDING FOR SPORT AND RECREATION	225,845	-	-	-	225,754	-	-	91	Yes
LED STRATEGY SMME	609,599	-	-	-	-	-	-	609,599	Yes
FLOOD DAMAGE ROADS	56,358,877	-	-	4,148,046	17,214,298	-	-	43,292,625	Yes
SRV - HAWKERS FACILITIES	754	-	-	-	-	-	754	-	Yes
KOUKAMMA - WOODLAND FLOWER PROJECT	564,749	-	-	-	-	-	-	564,749	Yes
RAIN HARVESTING	286,204	-	-	-	-	-	-	286,204	Yes
LED FUNDING	3,929,414	-	-	-	2,396,000	-	1,200,000	333,414	Yes
MUNICIPAL ADMINISTRATION: DEVELOPMENT	500,000	-	-	-	-	-	-	500,000	Yes
MUNICIPAL ADMINISTRATION: HEALTH	280,000	-	-	-	251,804	-	-	28,196	Yes

MUNICIPAL PERFORMANCE MANAGEMENT	1,236,204	-	627,582	-	431,733	-	-	1,432,053	Yes
DBSA: CACADU CEMETERY MANAGEMENT	223,902	-	-	-	180,000	-	-	43,902	Yes
DROUGHT RELIEF	342,672	-	-	-	298,435	-	-	44,237	Yes
DWAF (SECTION 78(3))	377,259	-	-	-	-	-	-	377,259	Yes
DBSA: LAND AUDIT	435,138	-	-	-	362,995	-	-	72,143	Yes
CAPACITY DEV (KOUGA LED STRATEGY)	450,000	-	-	-	418,000	-	-	32,000	Yes
CDM-STRATEGY DEV (REDTAPE REDUCTION)	260,544	-	-	-	-	-	260,544	-	Yes
HONEYBUSH TEA (EVE BRAND PACKAGING)	-	1,200,000	-	-	1,200,000	-	-	-	Yes
GIS SUPPORT TO CDM BY DWAF	84,370	-	-	-	-	-	-	84,370	Yes
MIG:KOUKAMMA	82,820,385	-	88,503,000	-	124,703,832	-	-	46,619,553	Yes
TOURISM PLANS - DLG&TA	2,038	260,544	-	-	-	-	-	262,582	Yes
TOURISM PLANS - DBSA	307,052	108,714	352,467	-	768,233	-	-	-	Yes
KOUKAMMA STRENGTHENING THE CAPACITY	-	-	3,000,000	-	-	-	-	3,000,000	Yes
DBSA LED: AGRI-INNOVATION INTERVENTION	-	311,894	600,324	-	912,218	-	-	-	Yes
DBSA LED: PROJECT MANAGEMENT UNIT	-	34,926	-	-	34,926	-	-	-	Yes
DBSA LED: STRATEGY AND INSTITUTIONAL	-	7,524	19,310	-	26,834	-	-	-	Yes
LED CAPACITY IKWEZI	-	-	470,000	-	470,000	-	-	-	Yes
LED STRATEGY/DEV CAMDEBOO	-	-	437,000	-	437,000	-	-	-	Yes
IDP SUPPORT 2009/2010	-	-	1,281,000	-	1,168,400	-	-	112,600	Yes
SRV STRENGTHENING THE CAPACITY OF LM THINA SINAKO PROV LED SUPOORT PROGRAM	-	-	300,000	-	-	-	-	300,000	Yes
	-	-	483,667	-	-	-	-	483,667	Yes
RAIN HARVESTING PEARSTON	-	-	4,833,000	-	2,575,972	-	-	2,257,028	Yes
RAIN HARVESTING PATERSON	-	-	550,000	-	-	-	-	550,000	Yes

TOTAL

191,772,385	3,122,494	112,169,822	5,003,318	177,830,401	457,100	1,462,136	132318382
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Add: Capital Expenditure	457,100
Add: Health Grant funding total	<u>36,645,723</u>
Total to Revenue	<u>214,933,224</u>

**CACADU DISTRICT MUNICIPALITY
APPENDIX F1
June 2010**

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

Name of Grant	Name of Organ of state	2009/2010 Quarterly Receipts				2009/2010 Quarterly Expenditure				2009/2010 Grants and Subsidies Delayed/withheld			
		Sept	Dec	Mar	June	Sept	Dec	Mar	June	Sept	Dec	Mar	June
		Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
LED Funding	Provincial Government	-	-	-	-	1,200,000	396,000	2,000,000	-	-	-	-	-
Capacity Building for Councillors	Provincial Government	-	-	-	-	17,800	9,154	-	-	-	-	-	-
Tourism Plans - DBSA	Other Provincial Government	-	-	352,467	-	613,843	152,848	-	1,542	-	-	-	-
Youth Centre - Somerset East	Provincial Government	-	-	-	-	-	170	6,990	34,580	-	-	-	-
Finance Management Grant	National Government	750,000	-	-	-	250,155	335,927	447,962	453,909	-	-	-	-
Municipal System Improvement Grant	National Government	735,000	-	-	-	-	108,263	450,885	373,289	-	-	-	-
Restructuring Grant	National Government	-	-	-	-	145,783	6,301	313,813	60,702	-	-	-	-
Multi Annual Action Plan - MAAP	National Government	-	-	-	-	569,459	195,784	173,098	28,793	-	-	-	-
MIG	National Government	2,249,000	1,050,000	-	2,800,000	1,240,920	1,499,331	1,655,664	2,197,791	-	-	-	-
MIG - Kou Kamma	National Government	-	-	88,503,000	-	17,183,114	50,486,801	38,391,435	18,642,482	-	-	-	-
Building for Sport and Recreation	National Government	-	-	-	-	-	219,810	-	5,944	-	-	-	-

Flood Damaged Roads	National Government	-	-	-	-	1,330,825	1,766,123	10,505,787	3,611,563	-	-	-	-
DBSA: Cacadu Cemetery Management	Other	-	-	-	-	-	-	180,000	-	-	-	-	-
Goat Farming at Ikwezi	Provincial Government	-	-	-	-	-	-	2,200,000	-	-	-	-	-
Drought Relief	Provincial Government	-	-	-	-	-	45,617	96,880	155,938	-	-	-	-
Libraries - Municipalities	Provincial Government	-	2,974,500	-	-	401,939	208,011	585,989	2,113,963	-	-	-	-
Disaster Management	Provincial Government	-	-	-	-	728,489	864,348	1,464,897	2,094,292	-	-	-	-
Municipal Administration::Health	Provincial Government	-	-	-	-	-	-	-	251,804	-	-	-	-
Municipal Performance Management	Provincial Government	-	627,582	-	-	-	75,101	224,327	132,305	-	-	-	-
IDP Support Grant for LMs and DMs	Government	-	-	-	-	-	-	609,033	74,794	-	-	-	-
Steytlerville Sport Field	National Government	-	-	-	-	-	-	260,183	35,876	-	-	-	-
Housing Projects	Provincial Government	-	-	-	-	162,381	146,500	430,452	24,534	-	-	-	-
Honeybush Tea Eve Brand Package	Provincial Government	1,200,000	-	-	-	1,200,000	-	-	-	-	-	-	-
People Housing Projects	Provincial Government	30,750	-	-	-	-	-	203,645	235,355	-	-	-	-
Passenger Transport Plans and Facilities	Provincial Government	123,222	-	-	-	-	-	-	-	-	-	-	-
Land Survey Projects	Provincial Government	-	-	-	-	101,491	-	-	47,491	-	-	-	-
Spatial Planning Projects	Provincial Government	-	-	-	-	-	-	131,950	-	-	-	-	-
Ikwezi Hardwood Farm	Provincial Government	-	-	-	-	-	230,092	-	-	-	-	-	-
Public Works Projects	Provincial Government	-	-	-	-	29,678	-	-	249,161	-	-	-	-
Capacity Development (Kouga LED Strategy)	Government	-	-	-	-	418,000	-	-	-	-	-	-	-
DBSA Land Audit	Other	-	-	-	-	-	-	-	362,995	-	-	-	-
DBSA: LED Agri-Innovation Intervention	Other	-	-	-	600,324	-	-	-	912,218	-	-	-	-
DBSA: LED Strategy and Institutional	Other	-	-	-	19,310	-	-	-	26,834	-	-	-	-
LED Capacity Ikwezi	Provincial Government	-	-	470,000	-	-	-	-	470,000	-	-	-	-
LED Strategy /Dev Camdeboo	Provincial Government	-	-	437,000	-	-	-	-	437,000	-	-	-	-
IDP Support 2009/10	Provincial Government	1,281,000	-	-	-	-	1,152,900	3,230	12,270	-	-	-	-
Rain Harvesting - Pearston	National Government	-	-	4,833,000	-	-	-	251,767	2,324,205	-	-	-	-
Rain Harvesting - Paterson	National Government	-	-	-	550,000	-	-	-	-	-	-	-	-

Koukamma - Strengthening the Capacity	National Government	-	-	-	3,000,000	-	-	-	-	-	-	-	-
SRV - Strengthening the Capacity	National Government	-	-	-	300,000	-	-	-	-	-	-	-	-
DBSA LED Project Management Unit	Other	-	-	-	-	-	-	-	34,926	-	-	-	-
Thina Sinako Priv LED Support Programme	Provincial Government	-	-	-	483,667	-	-	-	-	-	-	-	-
		6,368,972	4,652,082	94,595,467	7,753,301	25,593,877	57,899,081	60,587,987	35,406,556	-	-	-	-

CACADU DISTRICT MUNICIPALITY

APPENDIX G

June 2010

INVESTMENT PORTFOLIO FOR THE YEAR ENDED 30 JUNE 2010

Financial Institution	Account Number	Amount Rand	Period Mths	Interest Rate %	Date Invested	Date Maturing	Matured 2009/2010 Rand	Balance 30 June 2010 Rand
FIRST RAND BANK	71220880423	9,000,000	3	8.69%	02-Apr-09	02-Jul-09	9,000,000	
INVESTEC	DA867206	10,000,000	3	8.79%	02-Apr-09	02-Jul-09	10,000,000	
STANDARD BANK	088430537123	17,000,000	10	11.84%	23-Sep-08	23-Jul-09	17,000,000	
FIRST RAND BANK	71173914121	5,000,000	6	10.32%	27-Jan-09	27-Jul-09	5,000,000	
STANDARD BANK	088430537125	5,000,000	6	10.25%	27-Jan-09	27-Jul-09	5,000,000	
STANDARD BANK	088430537124	15,000,000	12	12.20%	05-Aug-08	03-Aug-09	15,000,000	
ABSA GROUP	2068958451	10,000,000	8	10.05%	23-Dec-08	24-Aug-09	10,000,000	
ABSA GROUP	2068909444	13,000,000	7	8.95%	11-Feb-09	11-Sep-09	13,000,000	
FIRST RAND BANK	71214140271	12,000,000	7	8.90%	11-Feb-09	11-Sep-09	12,000,000	
STANDARD BANK	088430537126	15,000,000	7	8.85%	11-Feb-09	11-Sep-09	15,000,000	
FIRST RAND BANK	71201472603	13,000,000	11	12.21%	23-Oct-08	23-Sep-09	13,000,000	
FIRST RAND BANK	71208232373	6,000,000	9	10.22%	23-Dec-08	23-Sep-09	6,000,000	
INVESTEC	DA867207	10,000,000	6	8.30%	02-Apr-09	02-Oct-09	10,000,000	
STANDARD BANK	088430537127	14,000,000	7	8.55%	04-Mar-09	04-Oct-09	14,000,000	
INVESTEC	DA865649	4,000,000	7	8.66%	04-Mar-09	05-Oct-09	4,000,000	
FIRST RAND BANK	71226405019	18,000,000	5	7.55%	25-May-09	26-Oct-09	18,000,000	
ABSA GROUP	2069044619	13,000,000	7	8.00%	02-Apr-09	02-Nov-09	13,000,000	
FIRST RAND BANK	71178318310	14,000,000	12	10.38%	25-Nov-08	24-Nov-09	14,000,000	
NEDCOR BANK	7881501480000086	39,000,000	12	10.39%	25-Nov-08	24-Nov-09	39,000,000	
FIRST RAND BANK	71230113666	5,000,000	5	7.60%	29-Jun-09	30-Nov-09	5,000,000	
NEDCOR BANK	7881501480000092	32,000,000	5	7.60%	29-Jun-09	30-Nov-09	32,000,000	

NEDCOR BANK	7881501480000090	10,000,000	8	8.05%	03-Apr-09	02-Dec-09	10,000,000	
INVESTEC	DA871687	14,000,000	8	8.06%	03-Apr-09	03-Dec-09	14,000,000	
ABSA GROUP	2068965618	19,000,000	10	8.25%	04-Mar-09	17-Dec-09	19,000,000	
INVESTEC	DA873236	7,000,000	6	7.92%	23-Jul-09	22-Jan-10	7,000,000	
NEDCOR BANK	7881501480000093	7,000,000	6	7.85%	23-Jul-09	25-Jan-10	7,000,000	
ABSA GROUP	2069044588	10,000,000	10	7.85%	02-Apr-09	02-Feb-10	10,000,000	
FIRST RAND BANK	71235652403	5,000,000	6	7.21%	18-Aug-09	18-Feb-10	5,000,000	
FIRST RAND BANK	71238977816	10,000,000	6	7.31%	15-Sep-09	15-Mar-10	10,000,000	
ABSA GROUP	2069176036	8,000,000	10	7.55%	25-May-09	25-Mar-10	8,000,000	
STANDARD BANK	088430537129	18,000,000	10	7.50%	25-May-09	25-Mar-10	18,000,000	
INVESTEC	DA874277	2,000,000	6	7.34%	18-Aug-09	01-Apr-10	2,000,000	
STANDARD BANK	088430537128	25,000,000	12	8.00%	02-Apr-09	01-Apr-10	25,000,000	
INVESTEC	DA877128	6,000,000	6	7.63%	26-Oct-09	23-Apr-10	6,000,000	
FIRST RAND BANK	71226405019	17,000,000	6	7.53%	26-Oct-09	26-Apr-10	17,000,000	
FIRST RAND BANK	71220880423	25,000,000	6	7.43%	26-Nov-09	26-May-10	25,000,000	
ABSA GROUP	2069276834	17,000,000	11	8.00%	29-Jun-09	28-May-10	17,000,000	
INVESTEC	DA880352	15,000,000	6	7.58%	08-Dec-09	07-Jun-10	15,000,000	
FIRST RAND BANK	71214140271	8,000,000	6	7.48%	08-Dec-09	08-Jun-10	8,000,000	
STANDARD BANK	088430537131	22,000,000	10	7.40%	18-Aug-09	18-Jun-10	22,000,000	
STANDARD BANK	088430537130	6,000,000	12	8.00%	29-Jun-09	28-Jun-10	6,000,000	
FIRST RAND BANK	71230113666	6,000,000	6	7.53%	19-Jan-10	19-Jul-10	6,000,000	6,000,000
INVESTEC	DA881968	3,000,000	6	7.58%	19-Jan-10	19-Jul-10	3,000,000	3,000,000
ABSA GROUP	2069363283	16,000,000	12	8.05%	23-Jul-09	22-Jul-10	16,000,000	16,000,000
FIRST RAND BANK	71208232373	5,000,000	6	7.41%	09-Feb-10	09-Aug-10	5,000,000	5,000,000
INVESTEC	DA883201	9,000,000	6	7.48%	09-Feb-10	10-Aug-10	9,000,000	9,000,000
NEDCOR BANK	7881501480000096	12,000,000	8	7.72%	08-Dec-09	10-Aug-10	12,000,000	12,000,000
NEDCOR BANK	7881501480000095	8,000,000	9	7.75%	26-Nov-09	26-Aug-10	8,000,000	8,000,000
NEDCOR BANK	7881501480000098	12,000,000	9	7.75%	08-Dec-09	08-Sep-10	12,000,000	12,000,000
ABSA GROUP	2069539658	16,000,000	12	7.58%	15-Sep-09	14-Sep-10	16,000,000	16,000,000
STANDARD BANK	088430537132	13,000,000	12	7.55%	15-Sep-09	14-Sep-10	13,000,000	13,000,000
FIRST RAND BANK	71235652403	14,000,000	6	6.75%	01-Apr-10	01-Oct-10	14,000,000	14,000,000
NEDCOR BANK	7881501480000099	6,000,000	9	7.70%	19-Jan-10	19-Oct-10	6,000,000	6,000,000
STANDARD BANK	088430537134	2,000,000	9	7.70%	19-Jan-10	19-Oct-10	2,000,000	2,000,000
STANDARD BANK	088430537133	4,000,000	12	7.93%	26-Oct-09	25-Oct-10	4,000,000	4,000,000
FIRST RAND BANK	71265602395	5,000,000	6	6.65%	29-Apr-10	29-Oct-10	5,000,000	5,000,000
NEDCOR BANK	7881501480000100	13,000,000	9	7.51%	09-Feb-10	09-Nov-10	13,000,000	13,000,000
NEDCOR BANK	7881501480000094	10,000,000	12	7.93%	26-Nov-09	25-Nov-10	10,000,000	10,000,000
FIRST RAND BANK	71226405019	27,000,000	6	6.70%	31-May-10	30-Nov-10	27,000,000	27,000,000
NEDCOR BANK	7881501480000097	21,000,000	12	7.81%	08-Dec-09	07-Dec-10	21,000,000	21,000,000
ABSA GROUP	2069932230	25,000,000	11	7.80%	19-Jan-10	20-Dec-10	25,000,000	25,000,000
STANDARD BANK	088430537135	6,000,000	11	7.50%	09-Feb-10	10-Jan-11	6,000,000	6,000,000

INVESTEC	DA888651	8,000,000	7	6.83%	28-Jun-10	28-Jan-11	8,000,000
STANDARD BANK	088430537137	10,000,000	9	6.87%	29-Apr-10	29-Jan-11	10,000,000
ABSA GROUP	2070004488	17,000,000	12	7.60%	09-Feb-10	08-Feb-11	17,000,000
STANDARD BANK	088430537139	17,000,000	8	6.70%	29-Jun-10	01-Mar-11	17,000,000
STANDARD BANK	088430537136	17,000,000	12	7.13%	01-Apr-10	30-Mar-11	17,000,000
ABSA GROUP	2070188527	6,000,000	12	7.15%	01-Apr-10	31-Mar-11	6,000,000
INVESTEC	DA885229	2,000,000	12	7.15%	01-Apr-10	31-Mar-11	2,000,000
ABSA GROUP	2070368313	10,000,000	12	7.07%	31-May-10	30-May-11	10,000,000
STANDARD BANK	088430537138	20,000,000	12	7.10%	31-May-10	30-May-11	20,000,000
							<u>340,000,000</u>