



**VHEMBE DISTRICT MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

## Index

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

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### Abbreviations

COID	Compensation for Occupational injuries and Diseases
CRR	Capital Replacement Reserve
SA GAAP	South African Statements of Generally Accepted Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## **Accounting Officer's Responsibilities and Approval**

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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 responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP 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) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

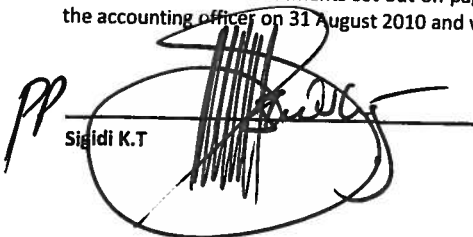
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The municipality is wholly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 3 to 36, which have been prepared on a going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Sigidi K.T.', is written over a horizontal line. To the left of the signature, the initials 'PP' are written vertically. Below the signature, the name 'Sigidi K.T.' is printed in a small, black, sans-serif font.

Sigidi K.T.

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Statement of Financial Position

	Note(s)	2010 R	2009 R
<b>Assets</b>			
<b>Current Assets</b>			
Inventories			
Other receivables	3	10,850,433	4,346,852
Vat receivable	4	1,837,714	1,606,370
Consumer debtors	5	72,927,743	63,014,522
Cash and cash equivalents	20	5,771,610	7,529,339
	6	185,225,861	372,248,763
		<b>276,613,361</b>	<b>448,745,846</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	2	1,259,515,959	907,833,297
Intangible assets	18	1,442,437	1,032,194
<b>Total Assets</b>		<b>1,537,571,757</b>	<b>1,357,611,337</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	104,741,589	177,714,476
Unspent conditional grants and receipts	7	-	282,190,638
Short term portion of lease liability		2,997,599	1,637,956
		<b>107,739,188</b>	<b>461,543,070</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	23	10,014,036	2,427,333
Provisions	8	-	7,417,482
		<b>10,014,036</b>	<b>9,844,815</b>
<b>Total Liabilities</b>		<b>117,753,224</b>	<b>471,387,885</b>
<b>Net Assets</b>		<b>1,419,818,533</b>	<b>886,223,452</b>
<b>Net Assets</b>			
<b>Reserves</b>			
Revaluation reserve	21	-	13,700,769
Government grant reserve	22	-	71,776,827
Accumulated surplus		1,419,818,533	800,745,856
<b>Total Net Assets</b>		<b>1,419,818,533</b>	<b>886,223,452</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Statement of Financial Performance

	Note(s)	2010 R	2009 R
<b>Revenue</b>			
Sale of water	10	20,970,984	9,076,205
Government grants	11	972,368,369	592,631,090
Sundry income		991,589	581,909
Other income		557,844	672,077
Government grants		-	853,603
Interest received - investment	15	22,179,011	56,179,300
<b>Total Revenue</b>		<b>1,017,067,797</b>	<b>659,994,184</b>
<b>Expenditure</b>			
Employee related costs	13	(182,987,224)	(147,797,589)
Remuneration of councillors	24	(6,242,394)	(5,691,132)
Administration		(1,178,821)	(208,823)
Transfer payments to local municipalities		(48,322,913)	(92,843,389)
Depreciation and amortisation	25	(16,356,829)	(13,176,404)
Impairment loss/ Reversal of Impairments		49,644	-
Finance costs	26	(1,445,615)	(236,779)
Bad debts	14	(33,768,366)	(49,205,267)
Collection costs		(118,389)	(456,900)
Repairs and maintenance		(30,724,924)	(29,314,065)
General Expenses	12	(159,192,622)	(82,048,113)
<b>Total Expenditure</b>		<b>(480,288,453)</b>	<b>(420,978,461)</b>
Surplus or deficit on exchange differences		-	34,006
<b>Surplus for the year</b>		<b>536,779,344</b>	<b>239,049,729</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Statement of Changes in Net Assets

	Revaluation reserve R	Government grant reserve R	Total reserves R	Accumulated surplus R	Total net assets R
Opening balance as previously reported	13,692,468	34,524,712	48,217,180	674,885,406	723,102,586
Adjustments					
Change in accounting policy	-	-	-	(113,189,279)	(113,189,279)
<b>Balance at 01 July 2008</b>	<b>13,692,468</b>	<b>34,524,712</b>	<b>48,217,180</b>	<b>561,696,127</b>	<b>609,913,307</b>
Changes in net assets					
Surplus for the year	-	-	-	239,049,729	239,049,729
Total changes	-	-	-	239,049,729	239,049,729
Opening balance as previously reported	13,692,468	77,457,423	91,149,891	913,380,509	1,004,530,400
Adjustments					
Change in accounting policy	8,301	(5,680,596)	(5,672,295)	(112,634,653)	(118,306,948)
<b>Balance at July 01, 2009 as restated</b>	<b>13,700,769</b>	<b>71,776,827</b>	<b>85,477,596</b>	<b>800,745,856</b>	<b>886,223,452</b>
Changes in net assets					
Revaluation	(13,700,769)	-	(13,700,769)	-	(13,700,769)
Net income (expenses) recognised directly in net assets	(13,700,769)	-	(13,700,769)	-	(13,700,769)
Surplus for the year	-	-	-	536,779,344	536,779,344
Total recognised income and expenses for the year	(13,700,769)	-	(13,700,769)	536,779,344	523,078,575
Reversal of government grant reserve	-	-	-	71,899,069	71,899,069
Prior year adjustments	-	-	-	10,394,264	10,394,264
Total changes	(13,700,769)	-	(13,700,769)	619,072,677	605,371,908
<b>Balance at June 30, 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,419,818,533</b>	<b>1,419,818,533</b>

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Cash Flow statement

	Note(s)	2010 R	2009 R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		12,815,492	(25,219,415)
Grants		690,177,731	768,805,941
Interest income		22,179,011	8,579,806
Other receipts		913,649	3,086,383
		<b>726,085,883</b>	<b>755,252,715</b>
<b>Payments</b>			
Employee costs		(216,381,055)	(148,214,645)
Suppliers		(107,146,633)	(206,721,368)
Other payments		(53,241,220)	(97,125,875)
		<b>(376,768,908)</b>	<b>(452,061,888)</b>
<b>Net cash flows from operating activities</b>	<b>17</b>	<b>349,316,975</b>	<b>303,190,827</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(367,587,885)	(485,291,868)
Purchase of other intangible assets	18	(874,504)	(1,380,264)
Non-cash adjustments on asset opening balances		(175,378,219)	37,564,627
<b>Net cash flows from Investing activities</b>		<b>(543,840,608)</b>	<b>(449,107,505)</b>
<b>Cash flows from financing activities</b>			
Movement in short term portion of lease liability		1,359,643	1,637,956
Finance lease payments		6,141,088	2,190,554
<b>Net cash flows from financing activities</b>		<b>7,500,731</b>	<b>3,828,510</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(187,022,902)</b>	<b>(142,088,168)</b>
Cash and cash equivalents at the beginning of the year		372,248,763	514,336,931
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>185,225,861</b>	<b>372,248,763</b>

## Accounting Policies

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### 1. Basis of presentation of Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value. These financial statements are also prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

#### Presentation Currency

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

#### Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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

Accounting policies for material transactions, events or conditions not covered by GRAP standards have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3.

The standards are summarised as follows:

#### Standard of GRAP

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Assets
GRAP 102	Intangible Assets

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

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

GRAP 23	Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 18	Segment Reporting
GRAP 21	Impairment of Non-cash-generating Assets
GRAP 23	Revenue from Non-exchange Transactions
GRAP 24	Presentation of Budget Information
GRAP 25	Employee Benefits
GRAP 26	Impairment of Cash-generating Assets
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments

The application of new standards will not have significant impact on the financial statements in the period of initial application. The municipality has taken advantage of the transitional provisions in terms of Directive 4 and 5 issued by the Accounting



## Accounting Policies

Standards Board.

### Exempted requirements

Standard No.	Standard title	GRAP, and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, and Directive 4 issued by the Accounting Standards Board, that have been early adopted
GRAP 03	Accounting Policies, Changes in Accounting Estimates and Errors	Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31)
GRAP 09	Revenue	Changes in accounting policies (GRAP 3.14, 19) initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)
GRAP 12	inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.
GRAP 17	Property, plant and equipment	The entire standard as far as it relates to water stock that was not purchased by the municipality. Review of useful life of items of PPE recognised in the annual financial statements (GAMAP 17.69 – 61, 77) Review of depreciation method applied to PPE recognised in the annual financial statements (GAMAP 17.62, 77) impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi)) impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi)) in respect of assets received as a result of a transfer or adjustment of functions- Municipalities must apply GAMAP 17/GRAP 17 in respect of assets that it has recognised. GAMAP /GRAP 17 does not apply to assets that must still be recognised.
IAS 36 GRAP 13	Impairment of assets Leases	Entire standard Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 20 (AC 134)	Accounting for government grants and disclosure	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.
IAS 36 (AC 128) GRAP 102	Impairment of assets Intangible assets	Entire standard The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed

**Accounting Policies**

IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)
IAS 40 (AC 135)	investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17 Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))
GRAP 100	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998

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

These accounting policies are consistent with the previous period.

**1.1 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include: none

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, , together with economic factors such as [list economic factors such as exchange rates inflation interest].

**Provisions**

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current estimate. Provisions were raised and management determined an estimate based on the information available.

**Allowance for doubtful debts**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year - end. Bad debts are written off with the approval of Council during the year in which they are identified.

## Accounting Policies

### 1.2 Property, plant and equipment

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment. When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration, (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired. Where an item of property, plant and equipment is acquired in exchange for non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the fair value was not determinable, its deemed cost is the carrying amount of the asset given up. Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period.

Land and buildings are carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the statement of financial position date.

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefit associated with the asset.

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

Item	Average useful life in Years
Buildings	
• Buildings	30
Furniture and fixtures	
• Furniture and Fittings	7-10
Motor vehicles	
• Other Vehicles	5
Office equipment	
• Office Equipment	3-7
IT equipment	
• Computer Equipment	3
Infrastructure	
• Roads and Paving	30
• Water	15-20
• Sewerage	15-20
Community	
• Buildings	30
• Recreational Facilities	20-30
Other property, plant and equipment	

**Accounting Policies****1.2 Property, plant and equipment (continued)**

• Other items of property, plant and equipment	2-5
• Specialised plant and equipment	10-15
Specialised vehicles	
• Specialised vehicles	10

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The residual value, the useful life of an assets and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimates in the Statement of Financial Performance. The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimates recoverable amount ( or recoverable service amount), it is written down immediately to its recoverable amount ( or recoverable service amount) and an impairment loss is changed to the Statement of financial performance.

**Derecognition**

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

**1.3 Intangible assets**

An intangible asset is an identifiable non-monetary assets without physical substance. Examples include computer software and licenses. An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

Item	Useful life
Computer software	10 years

## **Accounting Policies**

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### **1.4 Financial instruments**

#### **Initial recognition**

Financial instruments are initially recognised at fair value.

#### **1.4.2 Subsequent measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

#### **1.4.3 Investments**

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

#### **1.4.4 Trade and other receivable**

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

#### **1.4.5 Trade payables and borrowings**

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

#### **1.4.6 Cash and cash equivalents**

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

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

## **Accounting Policies**

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### **1.4 Financial instruments (continued)**

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

#### **Fair value determination**

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

#### **Trade and other receivables**

Trade receivables are carried at net of anticipated realisable value and costs to recover. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off with the approval of Council during the year in which they are identified, measured at initial recognition at fair value, and are subsequently measured at net of realisable value and costs to recover. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the receivables that are between 30 and 90 days old. Subsequent recoveries of previously written off credited against operating expense in the Statement of Financial Performance

#### **Trade and other payables**

Trade payables are stated at their nominal value.

#### **Cash and cash equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including short term). Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### **1.5 Leases**

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

#### **Finance leases – lessee**

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

#### **Operating leases - lessor**

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

## **Accounting Policies**

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### **1.5 Leases (continued)**

Income for leases is disclosed under revenue in the statement of financial performance.

#### **Operating leases – lessee**

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

Any contingent rents are expensed in the period they are incurred.

### **1.6 Inventories**

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

### **1.7 Provisions and contingencies**

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

### **1.8 Revenue from non Exchange transaction**

## **Accounting Policies**

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### **1.8 Revenue from non Exchange transaction (continued)**

Government grants are recognised when there is reasonable assurance that: the municipality will comply with the conditions attaching to them; and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Grants related to income are presented as a credit in the income statement (separately)

### **1.9 Revenue Recognition**

Revenue from exchange transactions refers to the revenue that accrued to the municipality directly in return for service rendered or goods sold, the value of which approximates the consideration received or receivable. Donations are recognised on a cash receipt basis, or in cases where a donation is in the form of property, plant and equipment, it is recognised when that asset is readily available for use.

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.

### **1.10 Water revenue**

Service charges relating to water are based on bulk water supplied by the district to local municipalities. Meters are read on a monthly basis and revenue is recognised when local municipalities are invoiced and when it is probable that there will be an inflows of cash in the future.

### **1.11 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

### **1.12 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Budget amounts shall be included in the annexures to the annual financial statements for the current financial year only.

### **1.13 Unauthorised, Irregular, Fruitless and Wasteful Expenditure**

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

### **1.14 Presentation of currency**

These annual financial statements are presented in South African Rand.

### **1.15 Offsetting**

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



## **Accounting Policies**

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### **1.16 Conditional Grants and receipts**

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.

### **1.17 Going Concern Assumption**

These financial statements have been prepared on the assumptions that municipality will continue to operate as a going concern for the foreseeable future.

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010		2009			
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
<b>2. Property, plant and equipment</b>						
Buildings	69,477,247	(5,666,551)	63,810,696	44,468,544	(3,371,508)	41,097,036
Plant and machinery	1,267,500	(897,812)	369,688	1,267,500	(771,063)	496,437
Furniture and fixtures	9,359,788	(3,171,843)	6,187,945	7,465,812	(2,294,726)	5,171,086
Motor vehicles	25,026,262	(7,904,236)	17,122,026	17,509,850	(5,452,786)	12,057,064
Office equipment	1,370,626	(970,178)	400,448	1,370,625	(797,347)	573,278
IT equipment	3,458,001	(2,879,449)	578,552	3,458,001	(2,203,245)	1,254,756
Infrastructure	22,291,137	(3,909,303)	18,381,834	20,670,319	(2,684,667)	17,985,652
Other property, plant and equipment	38,233,094	(16,062,324)	22,170,770	34,398,593	(11,434,060)	22,964,533
Capital work in progress	1,118,972,656	-	1,118,972,656	791,271,835	-	791,271,835
Leased Assets	15,729,249	(4,207,905)	11,521,344	15,729,249	(767,629)	14,961,620
<b>Total</b>	<b>1,305,185,560</b>	<b>(45,669,601)</b>	<b>1,259,515,959</b>	<b>937,610,328</b>	<b>(29,777,031)</b>	<b>907,833,297</b>

### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Buildings	41,097,036	25,008,703	-	(2,295,043)	63,810,696
Plant and machinery	496,437	-	-	(126,749)	369,688
Furniture and fixtures	5,171,086	1,906,631	(12,655)	(877,117)	6,187,945
Motor vehicles	12,057,064	7,516,412	-	(2,451,450)	17,122,026
Office equipment	573,278	-	-	(172,830)	400,448
IT equipment	1,254,756	-	-	(676,204)	578,552
Infrastructure	17,985,652	1,620,818	-	(1,224,636)	18,381,834
Other property, plant and equipment	22,964,533	3,834,500	-	(4,628,263)	22,170,770
Capital work in progress	791,271,835	327,700,821	-	-	1,118,972,656
Leased Assets	14,961,620	-	-	(3,440,276)	11,521,344
	<b>907,833,297</b>	<b>367,587,885</b>	<b>(12,655)</b>	<b>(15,892,568)</b>	<b>1,259,515,959</b>

### Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
Buildings	41,789,772	739,859	(1,432,595)	41,097,036
Plant and machinery	623,188	-	(126,751)	496,437
Furniture and fixtures	2,209,531	3,404,103	(442,548)	5,171,086
Motor vehicles	8,064,889	5,560,309	(1,568,134)	12,057,064
Office equipment	706,288	47,448	(180,458)	573,278
IT equipment	1,818,146	116,564	(679,954)	1,254,756
Infrastructure	16,931,405	2,116,440	(1,062,193)	17,985,652
Other property, plant and equipment	17,374,473	9,004,405	(3,414,345)	22,964,533
Capital work in progress	342,698,344	448,573,491	-	791,271,835
Leased Assets	-	15,729,249	(767,629)	14,961,620
	<b>432,216,036</b>	<b>485,291,868</b>	<b>(9,674,607)</b>	<b>907,833,297</b>

The municipality has taken the advantage of the transitional provisions in terms of Directive 4 and 5 issued by the Accounting

**Notes to the Annual Financial Statements**

	2010 R	2009 R
<b>2. Property, plant and equipment (continued)</b>		
Standards Board on all classes of assets. Progress made towards measuring assets. We have appointed Service Provider who is assisting with measuring of assets in accordance with the requirements of Generally Recognised Accounting Practice No 17		
<b>MAJOR ACHIEVEMENTS</b>		
1.The Service Provider has started with the identified and valuing infrastructure assets.		
2.The Service Provider is currently classifying other categories of assets and verifying where applicable.		
3.All buildings have been valued retrospectively		
<b>3. Inventories</b>		
Raw materials, components	-	923,948
Consumable stores	1,822,746	757,246
Spare parts	-	853,603
Water	9,027,687	1,812,055
	<b>10,850,433</b>	<b>4,346,852</b>
<b>4. Other receivables</b>		
Sundry Debtors	530,401	1,428,086
Staff Debtors	1,146,780	50,866
Operating lease receivables (if immaterial)	-	12
MPCC Debtors	160,533	127,406
	<b>1,837,714</b>	<b>1,606,370</b>
<b>5. Vat Receivable</b>		
VAT	72,927,743	63,014,522
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	955	4,369
Bank balances	37,677,874	105,719,305
Short-term deposits	147,547,032	266,525,089
	<b>185,225,861</b>	<b>372,248,763</b>

**The municipality had the following bank accounts**

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	June 30, 2009	June 30, 2008	June 30, 2010	June 30, 2009	June 30, 2008
First National Bank -Current Account - 6202 1931 458	44,813,225	115,466,460	73,013,958	37,678,829	105,739,535	3,957,999

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

					2010 R	2009 R
<b>6. Cash and cash equivalents (continued)</b>						
Absa Bank - Call Account - 2061 8386 68	-	153,807,260	26,416,217	-	153,807,260	26,416,217
First National Bank - 32 days account -7415 6880 731	-	-	194,475,418	-	-	194,475,478
First National Bank - Call Account - 6203 6334 803	837,229	16,367,904	53,926,470	837,229	16,367,904	53,926,470
Nedbank - Account Type - 7468 013306	42,589,006	96,349,925	-	42,589,006	96,349,925	-
Absa Bank - 21 days call account -	-	-	-	-	5,005	5,005
ABSA 32	104,120,797	-	-	104,120,797	-	-
<b>Total</b>	<b>192,360,257</b>	<b>381,991,549</b>	<b>347,832,063</b>	<b>185,225,861</b>	<b>372,269,629</b>	<b>278,781,169</b>
<b>7. Conditional grants and receipts</b>						
Explain / disclose.						
See note 11 for reconciliation of grants from National/Provincial Government.						
These amounts are invested in a ring-fenced investments until utilised.						
<b>8. Provisions</b>						
<b>Reconciliation of provisions - 2010</b>						
		Opening Balance	Reversed during the year	Total		
Legal proceedings		7,417,482	(7,417,482)	-		
<b>Reconciliation of provisions - 2009</b>						
		Opening Balance	Additions	Total		
Legal proceedings		7,340,079	77,403	7,417,482		
<b>9. Trade and other payables</b>						
Trade payables			37,450,319	113,851,846		
Accrued leave pay			19,123,337	12,562,194		
Performance bonus provision			1,378,162	613,065		
Provision for bonus			3,768,996	-		
Retention			43,020,775	50,687,371		
			<b>104,741,589</b>	<b>177,714,476</b>		
<b>10. Revenue</b>						

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>10. Revenue (continued)</b>		
Sale of water	20,970,984	9,076,205
Government grants	972,368,369	592,631,090
	<b>993,339,353</b>	<b>601,707,295</b>
<b>The amount included in revenue arises from the sale of water.</b>		
Sale of water	20,970,984	9,076,205

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>11. Government grants and subsidies</b>		
Equitable Shares	296,590,595	208,886,169
Municipal Systems Improvements Grant	735,000	1,614,278
Municipal Infrastructure Grant	205,008,000	168,977,997
Replacement of RSC Levies - Grant	-	31,567,463
Municipal Health Services Grant	13,000,000	10,308,437
DWAE Grant	-	171,146,954
DWAE Personnel Grant	166,751,596	-
Financial Management Grant	750,000	129,792
DWE Grant: Disaster	2,000,000	-
Unspent Grants Transfer to Income	282,190,628	-
EPWP Grant	5,342,550	-
	<b>972,368,369</b>	<b>592,631,090</b>
<b>Government grants</b>		
Balance unspent at beginning of year	113,212,632	106,869,386
Current-year receipts	411,787,146	358,520,704
Conditions met - transferred to revenue	(521,457,228)	(352,177,458)
Other	(3,542,550)	-
	-	<b>113,212,632</b>
<b>Equitable Share</b>		
<p>The equitable share is used to subsidise the operations of the District Municipality, which includes the provision of basic services to residential households through the local municipalities. Currently the municipality provides for 6 kilolitres of water free to residential households.</p>		
<b>Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	104,185,403	103,678,400
Current-year receipts	205,008,000	169,485,000
Conditions met - transferred to revenue	(309,193,403)	(168,977,997)
	-	<b>104,185,403</b>
<b>Finance Management Grant (FMG)</b>		
Balance unspent at beginning of year	610,647	240,439
Current-year receipts	750,000	500,000
Conditions met - transferred to revenue	(1,360,647)	(129,792)
	-	<b>610,647</b>
<b>Municipal Systems Provincial Grant (MSP)</b>		
Balance unspent at beginning of year	-	1,000,000
Current-year receipts	-	500,000
Conditions met - transferred to revenue	-	(1,500,000)
	-	-

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>11. Government grants and subsidies (continued)</b>		
<b>Municipal Systems Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	1,994,722	109,000
Current-year receipts	735,000	2,000,000
Conditions met - transferred to revenue	(2,729,722)	(114,278)
	-	1,994,722
<b>DWAE Grant</b>		
Balance unspent at beginning of year	5,733,946	1,841,547
Current-year receipts	143,264,000	175,039,353
Conditions met - transferred to revenue	(148,997,946)	(171,146,954)
	-	5,733,946
<b>Municipal Health Services Grant</b>		
Balance unspent at beginning of year	687,914	-
Current-year receipts	13,000,000	10,996,351
Conditions met - transferred to revenue	(13,687,914)	(10,308,437)
	-	687,914
<b>DWAE Project Grant</b>		
Current-year receipts	25,487,596	-
Conditions met - transferred to revenue	(25,487,596)	-
	-	-
<b>Public Works Programme Incentive Grant</b>		
Current-year receipts	3,542,550	-
Conditions met - transferred to revenue	(3,542,550)	-
	-	-

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010	2009
	R	R
<b>12. General expenses</b>		
Advertising	1,143,382	1,976,216
Assessment rates & municipal charges	-	20,000
Auditors remuneration	2,283,117	2,166,337
Bank charges	153,723	327,869
Cleaning	19,210	2,871
Computer expenses	269	81,342
Consulting and professional fees	10,441,841	18,462,997
Discount allowed	-	168,600
Entertainment	783,850	1,204,071
Insurance	855,589	627,174
Community development and training	71,587,635	811,727
Conferences and seminars	491,292	555,239
IT expenses	-	3,271,119
Lease rentals on operating lease	6,068,999	8,088,002
Magazines, books and periodicals	52,860	45,414
Licences	95,277	112,086
Fuel and oil	4,071,502	958,735
Placement fees	99,566	27,648
Postage and courier	4,432	5,649
Printing and stationery	5,395,622	6,321,047
Promotions	23,887	-
Protective clothing	296,711	-
Project maintenance costs	4,997	4,997
Security (Guarding of municipal property)	10,231,095	1,956,251
Staff welfare	92,300	43,303
Subscriptions and membership fees	1,938,683	561,028
Telephone and fax	2,797,562	2,709,901
Transport and freight	1,295,188	504,568
Training	4,030,852	190,969
Travel - local	3,225,174	2,433,145
Travel - overseas	187,759	1,049,085
Electricity	12,189,872	9,859,676
Water	4,807,799	6,245,767
Uniforms	1,035,318	422,570
Accommodation	2,185,300	3,037,128
Community programmes	2,393,140	2,079,896
Mayor's Bursary Fund	4,476,770	1,844,062
Exhibition	1,233,777	573,867
Summit	590,237	460,555
Bulk water purchases	986,896	1,139,447
Bereavement costs	430,202	200,000
Veterinary department	681,027	666,040
Venue expenses	-	113,316
Billing charges	44,723	350,129
Chemicals	88,656	121,118
Convention bureau	282,549	75,280
Hostel charges	-	78,666
Cylinders	93,982	93,206
	<b>159,192,622</b>	<b>82,048,113</b>



# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>13. Employee related costs</b>		
Basic	110,636,932	94,028,971
Bonus	13,908,062	5,420,423
Medical aid - company contributions	3,736,328	3,488,628
UIF	1,001,868	927,295
WCA	-	1,984,679
SDL	1,146,978	1,110,006
Leave pay provision charge	19,313,940	12,571,803
Other short term costs	50,427	8,571
Post-employment benefits - Pension - Defined contribution plan	16,993,650	14,762,312
Travel, motor car, accommodation, subsistence and other allowances	9,032,864	7,617,326
Overtime payments	5,321,568	4,017,549
Housing benefits and allowances	1,836,644	1,851,868
Other Payroll Costs	7,963	8,158
	<b>182,987,224</b>	<b>147,797,589</b>
<b>Remuneration of municipal manager</b>		
Annual Remuneration	559,677	439,049
Car Allowance	221,796	134,065
Performance Bonuses	42,277	36,399
Contributions to UIF, Medical and Pension Funds	147,096	119,230
Reimbursive Allowance	-	57,171
Subsistence Allowance	-	225
Other	92,934	-
<b>Total</b>	<b>1,063,780</b>	<b>786,139</b>
<b>Remuneration of chief financial officer</b>		
Annual Remuneration	450,441	390,846
Car Allowance	180,899	157,530
Contributions to UIF, Medical and Pension Funds	127,132	106,377
Reimbursive Allowance	-	7,714
Housing Subsidy	3,775	8,169
Other	7,539	-
<b>Total</b>	<b>769,786</b>	<b>670,636</b>
<b>Remuneration of general manager: Technical Services</b>		
Annual Remuneration	433,847	365,960
Car Allowance	153,296	117,013
Contributions to UIF, Medical and Pension Funds	107,113	94,483
Bonus	37,333	30,378
Reimbursive Allowance	-	5,297
Other	10,964	-
<b>Total</b>	<b>742,553</b>	<b>613,131</b>
<b>Remuneration of general manager: Community Services</b>		

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>13. Employee related costs (continued)</b>		
Annual Remuneration	424,236	361,667
Car Allowance	198,992	155,253
Contributions to UIF, Medical and Pension Funds	94,893	80,081
Subsistence Allowance	-	150
Reimbursive Allowance	-	52,630
Other	9,891	-
<b>Total</b>	<b>728,012</b>	<b>649,781</b>
<b>Remuneration of general manager: Planning</b>		
Annual Remuneration	426,633	360,054
Car Allowance	183,169	136,634
Contributions to UIF, Medical and Pension Funds	101,923	103,434
Reimbursive Allowance	-	9,986
Other	9,891	-
<b>Total</b>	<b>721,616</b>	<b>610,108</b>
<b>Remuneration general manager: Office of the Mayor</b>		
Annual Remuneration	424,236	359,611
Car Allowance	173,005	134,722
Contributions to UIF, Medical and Pension Funds	122,337	104,155
Reimbursive Allowance	-	9,041
Other	9,891	-
<b>Total</b>	<b>729,469</b>	<b>607,529</b>
<b>Remuneration general manager: Corporate Services</b>		
Annual Remuneration	424,236	362,548
Car Allowance	163,639	127,363
Performance Bonuses	29,850	-
Contributions to UIF, Medical and Pension Funds	94,893	79,730
Subsistence Allowance	-	2,211
Reimbursive Allowance	-	40,506
Other	15,845	-
<b>Total</b>	<b>728,463</b>	<b>612,358</b>
<b>14. Bad debts</b>		
Contributions to bad-debt provision	33,768,366	49,205,267
<b>15. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	22,179,011	56,179,300
<b>16. Auditors' remuneration</b>		
Fees	2,283,117	2,166,337

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>16. Auditors' remuneration (continued)</b>		
<b>17. Cash generated from operations</b>		
Surplus before taxation	536,779,344	239,049,729
<b>Adjustments for:</b>		
Depreciation and amortisation	16,356,829	13,176,404
Surplus on foreign exchange	-	(34,006)
Interest received	(22,179,011)	(56,179,300)
Finance costs	1,445,615	236,779
Impairment reversals	(49,644)	-
Movements in provisions	(7,417,482)	77,403
Bad debts	33,768,366	49,205,267
Other non cash items - Payroll Provisions	11,905,236	5,274,076
Non-cash adjustments to property plant and equipment	148,761,676	(187,368,985)
<b>Changes in working capital:</b>		
Inventories	(6,503,581)	(3,850,393)
Other receivables	(231,356)	2,576,676
Consumer debtors	1,757,729	(7,496,543)
Trade and other payables	(72,972,887)	100,001,549
VAT	(9,913,221)	(26,799,077)
Conditional grants and receipts	(282,190,638)	175,321,248
	<b>349,316,975</b>	<b>303,190,827</b>

### 18. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	2,888,353	(1,445,916)	1,442,437	2,043,516	(1,011,322)	1,032,194

#### Reconciliation of intangible assets - 2010

	Opening Balance	Additions	Amortisation	Total
Computer software, other	1,032,194	874,504	(464,261)	1,442,437

#### Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Amortisation	Total
Computer software, other	192,666	1,380,264	(540,736)	1,032,194

### 19. Operating lease

Within one year	6,612,573	-
In the second to fifth year inclusive	7,979,017	-
After five years	-	-
	<b>14,591,590</b>	<b>-</b>

The municipality entered into two lease contracts for the rental of both offices and vehicles. The two leases were entered into

**Notes to the Annual Financial Statements**

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2010	2009
R	R

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**19. Operating lease (continued)**

with South African Post Office and Tshumisano Trading respectively. Operating lease payments have been accounted for in terms of GRAP 13, applying an escalation rate of average of 9% and 12% per annum respectively.

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>20. Bulk Billing</b>		
<b>Gross balances</b>		
Water	35,796,922	35,151,806
<b>Less: Provision for bad debts</b>		
Water	(30,025,312)	(27,622,467)
<b>Net balance</b>		
Water	5,771,610	7,529,339
<b>Water</b>		
Current (0 -30 days)	2,301,283	509,536
31 - 60 days	1,398,138	508,778
61 - 90 days	2,370,187	1,228,698
91 - 120 days	6,686,677	665,832
121 - 365 days	23,040,637	11,601,171
Provision	(30,025,312)	(6,984,676)
	<b>5,771,610</b>	<b>7,529,339</b>
<b>Summary of debtors by customer classification</b>		
<b>Reconciliation of bad debt provision</b>		
Balance at beginning of the year	27,622,467	-
Contributions to provision	23,040,637	27,622,467
Less Bad Debts Written Off	(20,637,792)	-
	<b>30,025,312</b>	<b>27,622,467</b>
<b>21. Revaluation reserve</b>		
The revaluation reserve is as a result of the valuation of buildings during conversion. This is however a non distributable reserve.		
Buildings Valuation	13,700,769	13,700,769
Reversal of Building Revaluation	(13,700,769)	-
	-	<b>13,700,769</b>
<b>22. Government grant reserve</b>		
This is as a result of items property, plant and equipment that were financed by government grants. Items of property, plant and equipment were unbundled, which resulted in the recognition of the government grant reserve. A transfer was made from accumulated surplus to the government grant reserve equal to the opening balance of assets. Depreciation on assets financed through grants was also offset against the grant reserve, with a corresponding entry on accumulated surplus.		
Government Grant Reserve	71,776,827	77,457,423
Reversal of Government Grant Reserve	(71,776,827)	(5,680,596)
	-	<b>71,776,827</b>

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>23. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	4,477,488	1,637,956
- in second to fifth year inclusive	11,923,769	3,105,909
	16,401,257	4,743,865
less: future finance charges	(3,389,622)	1,341,004
<b>Present value of minimum lease payments</b>	<b>13,011,635</b>	<b>6,084,869</b>
<b>Present value of minimum lease payments due</b>		
- within one year	2,997,599	843,834
- in second to fifth year inclusive	10,014,036	2,747,749
	<b>13,011,635</b>	<b>3,591,583</b>

It is the municipality's policy to lease certain items of property, plant and equipment under finance leases. The municipality has in the current financial year leased both computer equipment and photocopiers from Meondo Technologies Ltd and Data Master respectively.

The average lease term was between 3 - 5 years and the average effective borrowing rate was 14%.

Interest rates are fixed at the contract date. The photocopier lease held with Data Master escalates at 10% p.a and no arrangements have been entered into for contingent rent.

### 24. Remuneration of councillors

Executive Mayor	428,024	494,289
Speaker	452,642	440,358
Chief Whip	196,824	229,042
Mayoral Committee Members	1,425,073	2,334,365
Councillors	1,813,959	2,257,064
Councillors' pension contributions and other	108,315	134,575
Sitting allowance	166,666	123,075
Telephone Allowance	266,019	235,074
Travel Allowance	1,384,872	1,269,821
<b>Total</b>	<b>6,242,394</b>	<b>7,517,663</b>

#### In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

### 25. Depreciation and amortisation

Property, plant and equipment	15,892,568	9,674,607
Intangible assets	464,241	540,736

### 26. Finance costs

**Notes to the Annual Financial Statements**

	2010 R	2009 R
<b>26. Finance costs (continued)</b>		
Finance leases	1,445,615	236,779

**27. Commitments**

**Authorised capital expenditure**

The Council has committed itself to the following capital projects:

• Approved and Contracted	254,086,463	232,157,354
• Approved not Contracted	175,976,093	26,504,152

This committed expenditure will be financed from grants and subsidies received from treasury.

**Operating leases – as lessor (income)**

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

**28. Contingencies**

**Contingent Liabilities**

T Mphigalale	118,748	-
Van Der Westhuizen	1,824,443	-
N W Civils	-	-
Mr Khwangwelo	-	-

1. Litigation is in the process against the municipality relating to a dispute with a contractor who alleges that the municipality has breached the contract with NW Civil Contractors and is seeking damages.. The municipality's legal advisors consider the likelihood of the action against the municipality being successful as unlikely, and the case should be resolved within the next financial year.

2. The municipality has received a claim from the attorneys of Van Der Westhuizen. The claim is for the damage on the crops that was as a result of construction of a road alongside a tomato farm. The municipality will only have an obligation to settle the claim when the claimant submits proof and basis of claim. The amount of damages is R 1 824 443.08. There are uncertainties in relation to the timing of any outflow.

3. Litigation is in the process against the municipality relating to a dispute with a resident of Mishru village; Mr Khwangwelo is suing the municipality for failing to provide access to sufficient water. There is uncertainty in relation to both amount and timing of outflows.

4. Mphigalale's alleging that the municipality didn't pay the 2007/8 salary benchmarking increases in line with his expectations.

**29. First-time adoption of SA GRAP Standards**

The municipality has applied the GRAP standards for the first time in 2008/09 financial year. In principle these standards have been applied retrospectively and the comparatives contained in these annual financial statements have been restated. The municipality has taken the advantage of the transitional provisions in terms of Directive 4 and 5 issued by the Accounting Standards Board on all classes of assets. Progress made towards measuring assets. We have appointed Service Provider who is assisting with measuring of assets in accordance with the requirements of Generally Recognised Accounting Practice No 17

# Vhembe District Municipality

Annual Financial Statements for the year ended June 30, 2010

## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>30. Related parties</b>		
Relationships		
Members of key management		
		Mr KTM Sigidi: Municipal Manager
		Ms L Ramathape CFO
		Mr TT Nyathela: GM Corporate Services
		Mr NF Tshivhengwa: GM Technical Services
		Mr M A NemaKonde: GM Community Services
		Mr M T Makumule: GM Planning
		Mr S S Razwiedani: GM Office of the Mayor.
<b>Related party transactions</b>		
The municipality had no related party relationships and therefore no transactions existed at balance sheet.		
	-	-
<b>Transfers made to local municipalities.</b>		
Thulamela Local Municipality	34,998,314	50,277,254
Mutale Local Municipality	13,324,600	23,688,530
Makhado Local Municipality	-	10,750,000
Musina Local Municipality		
<b>Transfers to Musina Local Municipality</b>		
Musina Local Municipality	-	2,791,323
<b>Compensation to accounting officer and other key management</b>		
Short-term employee benefits	765,097	613,062

### 31. Prior period errors

During the year under review comparative figures were adjusted and the following is the effect on prior balances. The effect of the restatement is that the respective balance sheet components have been restated as well as the retained earnings.

Description	Prior Period 08/09 AFS	Adjusted comparative figure per 09/10 AFS	Net effect
Unspent Grant	113,212,641	282,190,638	(168,977,997)
Trade payable	178,255,986	177,714,476	541,510
Inventory	3,708,065	4,346,852	(638,787)
Vat Receivable	63,012,006	63,014,522	(2,516)
Consumer debtor's	2,912,844	7,529,339	(4,616,495)
Cash and Cash Equivalents	372,269,629	372,248,763	20,866
Trade and Other Payables	178,258,986	177,714,476	544,510
PPE	893,634,534	907,833,297	(14,198,763)
Intangible	557,750	1,032,194	(474,444)
Revaluation Reserve	13,692,468	13,700,769	(8,301)
Government Grant reserve	77,457,423	71,776,827	5,680,596

### 32. Comparative figures

2008/09 Comparative figures have been presented in this annual financial statements



## Notes to the Annual Financial Statements

	2010 R	2009 R
<b>32. Comparative figures (continued)</b>		
<b>33. Going concern</b>		
<p>The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.</p>		
<b>34. Unauthorised, irregular, fruitless and wasteful expenditure</b>		
<b>Fruitless and Wasteful expenditure</b>		
Fruitless and wasteful expenditure	283,667	-
<p>interest and penalty imposed by SARS for late submission for the amount of R283 667.00</p>		
<b>35. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Audit fees</b>		
Opening balance	1,628,158	1,480,144
Current year fee	1,564,236	1,628,158
Amount paid - current year	(1,628,158)	(1,480,144)
	<b>1,564,236</b>	<b>1,628,158</b>
<b>PAYE and UIF</b>		
Opening balance	3,391	-
Current year subscription / fee	18,508,636	15,418,678
Amount paid - current year	(18,508,636)	(15,415,287)
	<b>3,391</b>	<b>3,391</b>
<b>Pension and Medical Aid Deductions</b>		
Opening balance	34,211	76,420
Current year subscription / fee	31,391,660	28,150,533
Amount paid - current year	(31,391,660)	(28,192,742)
	<b>34,211</b>	<b>34,211</b>
<b>VAT</b>		
VAT receivable	72,927,743	63,014,522

**Notes to the Annual Financial Statements**

	2010 R	2009 R
<b>35. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
All VAT returns have been submitted by the due date throughout the year.		
<b>Supply chain management regulations</b>		
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.		
<b>Incident</b>		
Equipment and services for the server room	2,387,958	-
Exhibition stand for rand show at Johannesburg	103,444	-
Accommodation, catering, Decoration and Sound system for Vhembe District Land Development Summit	258,650	-
Accommodation and Meals	88,780	-
Catering for the Festive Season	77,607	-
<b>Equipment and services for the server room</b>	<b>2,916,439</b>	<b>-</b>

**36. Deviation from supply chain management regulations**

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

**37. Statement of Comparative and Actual Information.**

**VHEMBE DISTRICT MUNICIPALITY**  
**ACTUAL VERSUS BUDGET : (REVENUE AND EXPENDITURE) UNAUDITED FOR THE YEAR**  
**ENDED 30 JUNE 2010**

REVENUE	2010 Actual R	2010 Budget R	2010 Variance R
	20,970,984	20,020,000	(950,984)
Rental of facilities and equipment	64,311	66,165	1,854
Interest earned-external investments	22,179,011	25,978,838	3,799,827
Government grants and subsidies	972,368,369	701,032,665	(271,335,704)
Other income	1,485,122	485,625	(999,497)
Gains/Losses on disposal of property plant and equipment	-	-	-
<b>Total revenue</b>	<b>1,017,067,797</b>	<b>1,099,058,468</b>	<b>81,990,671</b>
<b>Expenditure</b>			
Corporate	36,582,660	50,260,631.00	13,677,971
Office of the MM	6,835,818	9,414,742.00	2,578,924
Councilor	7,751,771	8,198,021.00	446,250
Mayor	11,868,610	14,918,623.00	3,050,013
Office of the Speaker	232,951	669,653.00	436,702
Office of the Chief whip	17,508	21,430.00	3,922
Finance	18,490,524	25,789,106.00	7,298,582
Technical Services	414,704,870	534,859,108.00	120,154,238
Community Services	76,188,089	89,588,411.00	13,400,322
Planning	44,045,866	82,159,208.00	38,113,342
Water Services	221,272,690	270,464,599.00	49,191,909
Environmental	9,884,981	12,714,935.00	2,829,954
<b>TOTAL EXPENDITURE</b>	<b>847,876,338</b>	<b>1,099,058,467.00</b>	<b>251,182,129</b>
<b>SURPLUS(DEFICIT)</b>	<b>(169,191,459)</b>		<b>(169,191,458)</b>

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

APPENDIX D

2009 ACTUAL INCOME	2009 ACTUAL EXPENDITURE	2009 SURPLUS/DEFICIT		2010 ACTUAL INCOME	2010 ACTUAL EXPENDITURE	2010 SURPLUS/DEFICIT
26,644,100	29,030,753	(2,386,653)	Corporate	50,260,631	36,582,660.00	13,677,971
10,225,538	5,401,044	4,824,494	Office of the MM	9,414,742	6,835,818.00	2,578,924
5,301,001	7,569,162	(2,268,161)	Councilor	8,198,021	7,751,771.00	446,250
11,940,428	9,290,946	2,649,482	Mayor	14,918,623	11,868,610.00	3,050,013
0	-	-	Office of the Chielwhip	669,653	232,951.00	436,702
0	-	-	Office of the Speaker	21,430	17,508.00	3,922
29,190,623	21,727,936	7,462,687	Finance	25,789,106	18,490,524.00	7,298,582
276,026,803	37,317,946	238,708,857	Technical Services	534,859,108	393,356,055.00	141,503,053
62,350,928	52,737,471	9,613,457	Community Services	89,588,411	76,188,089.00	13,400,322
55,634,779	19,507,736	36,127,043	Planning	82,159,208	44,045,866.00	38,113,342
171,147,521	227,023,309	(55,875,788)	Water Services	270,464,599	221,272,690.00	49,191,909
10,308,437	10,191,244	117,193	Environmental	12,714,935	9,884,981.00	2,829,954
<b>658,770,158</b>	<b>419,797,547</b>	<b>238,972,611</b>	<b>Sub total</b>	<b>1,099,058,467</b>	<b>826,527,523</b>	<b>272,530,944</b>
-	-	-	Less inter-departmental changes	-	-	-
<b>658,770,158</b>	<b>419,797,547</b>	<b>238,972,611</b>	<b>Total</b>	<b>1,099,058,467</b>	<b>826,527,523</b>	<b>272,530,944</b>

APPENDIX E

VHEMBE DISTRICT MUNICIPALITY  
ACTUAL VERSUS BUDGET: SEGMENTAL ANALYSIS OF ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual R	2010 Under Construction R	2010 Total Additions	2010 Budget R	2010 Variance R	2010 Variance (Under spending/Overspending)
<b>BUILDINGS</b>						
Other Buildings	7,070,440.25	7,070,440.25		7,070,440.25		0.00%
VDM Offices						0.00%
<b>SUBTOTAL</b>	7,070,440.25	7,070,440.25		7,070,440.25		0.00%
<b>COMMUNITY ASSETS</b>						
Masisi Taxi Rank	9,027,545.09	9,027,545.09		12,000,000.00	(2,972,454.91)	-24.77%
Mihlali MPCPC Phase 1	90,731.31	90,731.31		210,094.00	(119,362.69)	-56.81%
Fresh Produce Market	1,705,548.80	1,705,548.80		2,500,000.00	(794,451.20)	-31.76%
Musekwa Mbuzi	23,920.00	23,920.00		200,000.00	(176,080.00)	-86.09%
Motor Vehicles	7,019,327.90	7,019,327.90	7,019,327.90	7,019,327.90		100.00%
Creation of Sports Facility	139,180.47	139,180.47		1,700,000.00	(1,560,819.53)	-91.81%
Awelani Community Tourism	7,981,951.27	7,981,951.27		20,864,587.00	(12,882,635.73)	-61.74%
<b>BUILDINGS</b>	17,938,262.53	17,938,262.53		20,000,000.00	(2,061,737.47)	-10.31%
Masisi Community Hall	3,628,995.05	3,628,995.05		3,900,000.00	(271,004.95)	-6.95%
Budjeli Poultry	54,735.00	54,735.00		180,000.00	(125,265.00)	-69.59%
Radio Community System	2,096,355.39	2,096,355.39	2,096,355.39	2,100,000.00	(3,644.61)	-0.17%
<b>SUBTOTAL</b>	63,847,333.31	54,731,650.02	9,115,683.29	84,814,869.40	(11,967,536.09)	-13.97%

APPENDIX E

VHEMBE DISTRICT MUNICIPALITY  
ACTUAL VERSUS BUDGET: SEGMENTAL ANALYSIS OF ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual R	2010 Under Construction R	2010 Total Additions	2010 Budget R	2010 Variance R	2010 Variance (Under spending/Overspending)
<b>INFRASTRUCTURE</b>						
Sidewalk From JJ Motors	2,866,032.77	9,027,545.09		12,000,000.00	(9,133,967.23)	-76%
Tshakuma hachery	116,487.71	116,487.71		1,500,000.00	(1,383,512.29)	-92%
Meqpete Community Tourism	755,143.39	755,143.39		3,000,000.00	(2,244,856.61)	-75%
Phaswana Irrigation Scheme	69,182.00	69,182.00			69,182.00	0%
Tarifiti Concrete Factory	1,620,075.00	1,620,075.00		1,620,075.00		
Mphaleni Orchards Irrigation Scheme	371,922.68	371,922.68			371,922.68	
Establishment of Concrete Factory	1,733,720.53	1,733,720.53			1,733,720.53	
Refurbishment	22,628,475.35	22,628,475.35		20,000,000.00	2,628,475.35	13%
Roads	35,057,125.94	28,903,770.18	6,153,355.16	31,800,000.00	2,103,225.18	66%
Sinthumbu, kutama LMB - DWAF	10,722,717.35	28,903,770.18		63,590,000.00	(21,067,262.65)	-33%
Water Services Project	42,542,451.55	42,542,451.55		23,500,000.00	19,042,451.55	81%
Household Sanitation	13,551,526.66	13,551,526.66			13,551,526.66	
Sewer	12,843,046.85	12,843,046.85			12,843,046.85	
<b>SUBTOTAL</b>	144,977,907.38	163,167,117.17	6,153,355.16	157,070,075.00	7,907,832.38	104%

**ACTUAL VERSUS BUDGET : SEGMENT ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Under construction R	2010 Total additions R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation for significance variances greater than 5% versus Budget
Corporate	-	4,077,047	14,125,744	(10,048,697)	-71%	Most of the budgeted projects not done
Office of the MM	-	125,000	170,000	(45,000)	-26%	Some of the budgeted projects not done
Councilor	-	-	-	-	0%	N/A
Mayor	-	521,562	2,250,000	(1,728,438)	-77%	Most of the budgeted projects not done
Office of the Chief Whip	-	-	100,000	(100,000)	-100%	Budgeted projects not done
Office of the Speaker	-	-	-	-	0%	N/A
Finance	-	726,000	530,000	196,000	37%	Some of the budgeted projects not done
Technical Services	218,827,074	383,508,000	523,140,209	(139,632,209)	-27%	Some of the budgeted projects not done
Community Services	30,200,000	36,551,324	41,553,169	(5,001,845)	-12%	Some of the budgeted projects not done
Environmental	30,292,567	27,991,448	61,364,015	(33,372,567)	-54%	Most of the budgeted projects not done
Water Services	52,393,056	35,075,149	71,000,257	(35,925,108)	-51%	Most of the budgeted projects not done
Environmental	-	-	1,500,000	(1,500,000)	-100%	Budgeted projects not done
Subtotal	331,512,697	488,575,531	715,733,394	104,354,834	15%	

**ACTUAL VERSUS BUDGET : SEGMENT ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT  
FOR THE YEAR ENDED 30 JUNE 2010**

	2009 Under construction R	2009 Total additions R	2009 Budget R	2009 Variance R	2009 Variance %	Explanation for significance variances greater than 5% versus Budget
Corporate	-	4,724,053	9,610,737	(4,886,684)	-51%	Most of the budgeted projects not done
Office of the MM	-	350,000	828,850	(478,850)	-58%	Most of the budgeted projects not done
Councilor	-	-	-	-	0%	N/A
Mayor	-	150,000	1,050,000	(900,000)	-86%	Most of the budgeted projects not done
Office of the Mayor	-	-	-	-	0%	Most of the budgeted projects not done
Office of the Speaker	-	-	-	-	0%	Most of the budgeted projects not done
Finance	-	150,000	370,000	(220,000)	-59%	Most of the budgeted projects not done
Technical Services	689,210,159	408,559,051	640,336,323	(231,777,272)	-36%	Some of the budgeted projects not done
Community Services	13,031,685	30,215,946	37,464,434	(7,248,488)	-19%	Some of the budgeted projects not done
Planning	32,523,343	33,187,028	60,064,583	(26,877,555)	-45%	Most of the budgeted projects not done
Water Services	13,412,425	13,611,436	29,986,000	(16,374,564)	-55%	Most of the budgeted projects not done
Environmental	-	163,013	230,000	(66,987)	-29%	Some of the budgeted projects not done
Subtotal	748,177,612	491,110,527	779,940,927	459,347,212	59%	

VERMONT DISTRICT MUNICIPALITY  
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF THE AFMA FOR THE YEAR ENDED 30 JUNE 2010

APPENDIX F

	Quarterly receipts					Total	Quarterly expenditure					Total	Grants and Subsidies withheld					Responsible for delivery	Did you receive grants or subsidies with the purpose of providing services to the community or the general public? (Yes/No)
	Sept	Dec	Mar	June	Sept		Dec	Mar	June	Sept	Dec		Mar	June	Sept	Dec	Mar		
Municipal Systems Improvement Grant	735,000	42,232,000.00	-	-	-	735,000	474,000	88,000	-	-	-	173,000	735,000	-	-	-	-	Yes	
Municipal Infrastructure Grant	72,391,000.00	87,136,379	23,717,000	30,000,000	-	168,300,000	19,358,281	29,768,132	76,769,564	42,404,023	168,300,000	168,300,000	-	-	-	-	-	Yes	
Equitable Shares	108,520,464	750,000	65,352,283	-	-	261,409,126	65,352,282	220,582	65,352,282	65,352,282	261,409,128	261,409,128	-	-	-	-	-	Yes	
Local Government Finance Management Grant	33,564,000.00	59,042,000.00	40,626,475	25,030,000	-	750,000	104,338	220,582	222,459	202,501	750,000	750,000	-	-	-	-	-	Yes	
Department of Water and Forestry Water Operations Subsidy	3,587,206	5,933,685	1,988,230.00	-	-	11,489,121	38,815,617	38,815,617	38,815,617	11,489,121	140,262,468	140,262,468	-	-	-	-	-	Yes	
Department of Water Affairs and Forestry Projects Grant	3,250,000	781,600	9,750,000	-	-	13,000,000	-	-	-	13,000,000	13,000,000	13,000,000	-	-	-	-	-	Yes	
Municipal Health Services	14,451,693	11,561,356	614,350	2,146,600	-	34,684,060	-	-	-	3,542,550	34,684,060	34,684,060	-	-	-	-	-	Yes	
EPWP	-	-	8,671,011	-	-	2,000,000	-	-	-	-	2,000,000	2,000,000	-	-	-	-	-	Yes	
Regional Service Levy Replacement Grant	-	-	2,000,000	-	-	2,000,000	-	-	-	-	2,000,000	2,000,000	-	-	-	-	-	Yes	
DVE Disaster	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
<b>TOTAL GRANTS AND SUBSIDIES</b>						<b>651,172,352</b>					<b>856,172,927</b>								