

Makana

MUNICIPALITY



[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2011

MAKANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

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MAKANA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

GENERAL INFORMATION

NATURE OF BUSINESS

Makana Municipality is a municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Makana Municipality includes the following areas:

Alicedale *Fort Brown*
Grahamstown *Seven Fountains*
Riebeeck East *Salem*

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE

Executive Mayor
Chairperson: Finance, Administration, Monitoring & Evaluation Portfolio Committee
Chairperson: Infrastructure Development Portfolio Committee
Chairperson: Social Development Portfolio Committee
Chairperson: Local Economic Development Portfolio Committee
Chairperson: Tourism & Creative Industries Portfolio Committee

Hon. Mr Z.J. Peter
Mr P Ranchhod
Ms N Gaga
Mr M Matyumza
Mr P Notyawa
Ms N Masoma

MUNICIPAL MANAGER

Ms N.L. Baart

CHIEF FINANCIAL OFFICER

Mr M.J. Ngcelwane

REGISTERED OFFICE

City Hall *P O Box 176* *Tel (046) 603 6130*
High Street *Grahamstown* *Fax (046) 636 2472*
Grahamstown *6140*

AUDITORS

Office of the Auditor General (Port Elizabeth)
PO Box 210917
The Fig Tree
Port Elizabeth
6033

PRINCIPAL BANKERS

First National Bank
102 High Street
Grahamstown
6140

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ATTORNEYS

Gray Moodliar
Smith Tabata Incorporated

MAKANA MUNICIPALITY

MEMBERS OF THE MAKANA MUNICIPAL COUNCIL

WARD	PREVIOUS COUNCILLOR <i>(1 March 2011 to 1 June 2011)</i>	CURRENT COUNCILLOR <i>(2 June 2011 to 30 June 2011)</i>
1	Cllr. B. Bonani	Cllr. N. Ngoqo
2	Cllr. R.M. Madinda	Cllr. N. Meti
3	Cllr. Z. Peter	Cllr. M. Booysen
4	Cllr. M. Phongolo	Cllr. L. May
5	Cllr. L. Nase	Cllr. M. Tame
6	Cllr. Z. Mantla	Cllr. N. Masoma
7	Cllr. N. Gaga	Cllr. M. Khubalo
8	Cllr. N.J. Fuku	Cllr. B. Jackson
9	Cllr. M. Ntshiba	Cllr. K. Solomon
10	Cllr. X. Simakuhle	Cllr. V. Kolisi
11	Cllr. L.C. May	Cllr. M. Gojela
12	Cllr. N. Stamper	Cllr. B. Fargher
13	Did not exist	Cllr. M.G. Madinda
14	Did not exist	Cllr. E. Louw
Proportional	Cllr. N. Faltein	Cllr. N. Gaga
Proportional	Cllr. M. Fulani	Cllr. B. Bonani
Proportional	Cllr. V. Lwana	Cllr. P. Ranchhod
Proportional	Cllr. X. Madyo	Cllr. X. Madyo
Proportional	Cllr. N. Masoma	Cllr. R.M. Madinda
Proportional	Cllr. N. Mshubeki	Cllr. Z. Peter
Proportional	Cllr. T. Ngeleza	Cllr. T. Ngeleza
Proportional	Cllr. L. Reynolds	Cllr. L. Reynolds
Proportional	Cllr. N.C. Tyantsula	Cllr. N.C. Tyantsula
Proportional	Cllr. T Veliti	Cllr. M. Matyumza
Proportional	Cllr. J.C. Wells	Cllr. J.C. Wells
Proportional	Cllr. M.G. Whisson	Cllr. D. Waldick
Proportional	Did not exist	Cllr. N. Plaatjie
Proportional	Did not exist	Cllr. P. Notyawa

MAKANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 89, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 28 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager:

30 September 2011

MAKANA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2011

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2011/11 financial period is set out in Directive 4 and Directive 5 Issued by the Accounting Standards Board (ASB) on 11 March 2010.

Despite having instituted various control measures in order to improve the overall financial results of the municipality, the collection of arrear debt remains a challenge. The increase in the debtors book together with the increased number of indigent customers is indicative of the poverty that exists within the municipal area. However, the ongoing reviewing and monitoring of debt collection performance is expected to result in an improvement in the collection of arrears.

2. KEY FINANCIAL INDICATORS

The following indicators give some insight into the financial results of the year under review.

Financial Statement Ratios:

INDICATOR	30 June 2011	30 June 2010
Surplus / (Deficit) before Appropriations	(33 882 981)	14 178 393
Surplus / (Deficit) at the end of the Year	1 485 313 602	1 498 992 821
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	34.73%	30.03%
Remuneration of Councillors	2.16%	2.35%
Collection Costs	7.84%	14.69%
Depreciation and Amortisation	16.01%	17.08%
Impairment Losses	0.00%	0.00%
Repairs and Maintenance	5.76%	4.11%
Interest Paid	0.10%	0.11%
Bulk Purchases	17.31%	14.84%
Contracted Services	0.81%	0.16%
Grants and Subsidies Paid	0.50%	0.50%
General Expenses	14.79%	15.41%
Current Ratio:		
Creditors Days	57	32
Debtors Days	182	146

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D".

The overall operating results for the year ended 30 June 2009 are as follows:

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	1 498 992 821	283 502 267	428.74%	-	-
Operating income for the year	254 939 322	268 390 764	(5.01)%	256 717 030	-
Appropriations for the year	20 203 762	21 248	94986.91%	-	-
	1 774 135 905	551 914 278	221.45%	256 717 030	591.09%
Expenditure:					
Operating expenditure for the year	288 163 928	252 807 902	13.99%	256 717 030	12.25%
Discontinued operations	658 374	1 404 469			
Sundry transfers	-	(1 201 290 913)	(100.00)%	-	-
Closing surplus / (deficit)	1 485 313 602	1 498 992 821	(0.91)%	-	-
	1 774 135 905	551 914 278	221.45%	256 717 030	591.09%

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income	94 825 975	122 720 208	(22.73)%	72 140 870	31.45%
Expenditure	176 755 010	134 697 203	31.22%	115 868 820	52.55%
Surplus / (Deficit)	(81 929 035)	(11 976 995)	584.05%	(43 727 950)	87.36%
Surplus / (Deficit) as % of total income	(86.40)%	(9.76)%			

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income	(2 324)	-	-	-	-
Expenditure	41 386	21 248	94.78%	41 430	(0.11)%
Surplus / (Deficit)	(43 710)	(21 248)	105.71%	(41 430)	5.50%
Surplus / (Deficit) as % of total income	1880.79%	-			

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income	43 134 431	32 002 033	34.79%	41 481 100	3.99%
Expenditure	24 399 795	21 800 650	11.92%	30 037 590	(18.77)%
Surplus / (Deficit)	18 734 636	10 201 383	83.65%	11 443 510	63.71%
Surplus / (Deficit) as % of total income	43.43%	31.88%			

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R47,892,069 (2009/2010: R37,496,040). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income	94 054 149	74 999 704	25.41%	86 759 250	8.41%
Expenditure	73 399 744	66 167 629	10.93%	74 251 840	(1.15)%
Surplus / (Deficit)	20 654 405	8 832 075	133.86%	12 507 410	65.14%
Surplus / (Deficit) as % of total income	21.96%	11.78%			

3.5 Water Services:

Water is bought in bulk and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R1,999,897 (2009/2010: R11,813). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2010/2011 R	Actual 2009/2010 R	Percentage Variance %	Budgeted 2010/2011 R	Variance actual/ budgeted %
Income	40 808 626	43 158 936	(5.45)%	56 334 190	(27.56)%
Expenditure	32 107 903	34 567 874	(7.12)%	36 156 270	(11.20)%
Surplus / (Deficit)	8 700 723	8 591 062	1.28%	20 177 920	(56.88)%
Surplus / (Deficit) as % of total income	21.32%	19.91%			

4. FINANCING OF CAPITAL EXPENDITURE

The expenditure on Property, Plant and Equipment during the year amounted to R70,444,790 (2009/2010: R77,964,611). Full details of Property, Plant and Equipment are disclosed in Note 13 and appendices "B and C to the Annual Financial Statements.

5. RECONCILIATION OF BUDGET TO ACTUAL

5.1 Operating Budget:

DETAILS	30 June 2011	
<i>Variance per Category:</i>		
Budgeted deficit before appropriations	-	
Revenue variances	(1 777 708)	
Expenditure variances:		
Employee Related Costs	(11 876 706)	
Remuneration of Councillors	756 435	
Collection Costs	(631 190)	
Depreciation and Amortisation	(40 767 120)	
Impairment Losses	-	
Repairs and Maintenance	(475 736)	
Interest Paid	(280 683)	
Bulk Purchases	(1 570 075)	
Contracted Services	1 043 415	
Grants and Subsidies Paid	14 536	
General Expenses	21 681 852	
Loss on disposal of Property, Plant and Equipment	-	
Actual deficit before appropriations	(33 882 981)	

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with a criptic explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

7. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2011 was R1,579,187 (30 June 2010: R2,481,845).

Refer to Note 16 and Appendix "A" for more detail.

8. RETIREMENT BENEFIT LIABILITIES

The outstanding amount of Retirement Benefit Liabilities as at 30 June 2011 was R46,111,598 (30 June 2010: R35,852,298).

This liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

Refer to Note 17 for more detail.

9. NON-CURRENT PROVISIONS

Non-current Provisions amounted R1,183,635 as at 30 June 2011 (30 June 2010: R3,689,053) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	1 183 635
	<u>1 183 635</u>

These provisions are made in order to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

Refer to Note 18 for more detail.

10. CURRENT LIABILITIES

Current Liabilities amounted R165,694,139 as at 30 June 2011 (30 June 2010: R103,304,458) and is made up as follows:

	Note	
Consumer Deposits	11	1 985 768
Provisions	12	2 321 399
Creditors	13	44 907 716
Unspent Conditional Grants and Receipts	14	68 273 826
VAT	15	44 323 817
Bank Overdraft	6	2 903 875
Current Portion of Long-term Liabilities	16	977 738
		<u>165 694 139</u>

Non-current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

11. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R1,519,970,833 as at 30 June 2011 (30 June 2010: R1,495,652,697).

Refer to Note 7 and Appendices "B and C" for more detail.

12. INTANGIBLE ASSETS

The net value of Intangible Assets were R59,519 as at 30 June 2011.

These are assets which cannot physically be identified and verified and are in respect of computer software and water rights / servitudes obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 8 for more detail.

13. INVESTMENTS

The municipality held Investments to the value of R11,777,283 as at 30 June 2011 (30 June 2010: R11,271,249).

The bulk of these investments are ring-fenced for purposes of the Capital Replacement Reserve, Unspent Conditional Grants and security for Long-term Liabilities, with the result that no significant amounts are available for own purposes.

Refer to Note 9 for more detail.

14. LONG-TERM RECEIVABLES

Long-term Receivables of R0 at 30 June 2011 (30 June 2010: R0) is made up as follows:

Officials: Loan	5 752
	<u>5 752</u>
Less: Short-term portion included in Current Assets	5 752
	<u><u>-</u></u>

Refer to Note 10 for more detail.

15. CURRENT ASSETS

Current Assets amounted R172,206,125 as at 30 June 2011 (30 June 2010: R139,872,395) and is made up as follows:

	Note	
Inventory	2	5 871 361
Consumer Debtors	3	73 056 359
Other Debtors	4	18 545 271
Operating lease assets	6	54 753
Bank Balances and Cash	5	74 672 629
Current Portion of Long-term Debtors	10	5 752
		<u>172 206 125</u>

Refer to the indicated Notes for more detail.

16. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 14 and 26, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 50.

18. GENERAL RECOGNISED ACCOUNTING PRACTICE (GRAP)

In order to adhere to principles and procedures prescribed by law and the directions of National Treasury, the Annual Financial Statements have been converted to the new reporting GRAP-format and is now presented as such on continuous basis.

The unbundling process was carried out as at 30 June 2011, with the result that no comparative figures are available for e.g. the Statement of Financial Performance and the Cash Flow Statement. However, it was endeavoured to supply as much information as possible.

19. EXPRESSION OF APPRECIATION

We are grateful to the Executive Mayor, members of the Mayoral Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

30 September 2011

MAKANA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 June 2011

	Note	2011 R	2010 R
ASSETS			
Current Assets		172 423 666	139 319 502
Inventory	2	5 871 361	5 463 069
Trade Receivables from Exchange Transactions	3	73 056 359	56 616 169
Trade Receivables from Non-Exchange Transactions	4	18 545 271	12 355 865
Unpaid Conditional Grants and Receipts		217 541	642 804
Cash and Cash Equivalents	5	74 672 629	64 172 131
Operating Lease Assets	6	54 753	63 530
Current Portion of Long-term Receivables from Exchange transactions	10	5 752	5 934
Non-Current Assets		1 531 807 635	1 506 923 946
Property, Plant and Equipment	7	1 519 970 833	1 495 652 697
Intangible Assets	8	59 519	-
Non-current Investments	9	11 777 283	11 271 249
Total Assets		1 704 231 300	1 646 243 448
LIABILITIES			
Current Liabilities		165 694 139	103 304 458
Consumer Deposits	11	1 985 768	1 914 434
Provisions	12	2 321 399	2 527 344
Creditors	13	44 907 716	22 096 281
Unspent Conditional Grants and Receipts	14	68 273 826	43 645 851
VAT Payable	15	44 323 817	28 314 807
Bank Overdraft	6	2 903 875	3 903 082
Current Portion of Long-term Liabilities	16	977 738	902 658
Non-Current Liabilities		47 896 682	38 593 194
Long-term Liabilities	16	601 449	1 579 187
Employee benefits	17	46 111 598	35 852 298
Non-current Provisions	18	1 183 635	1 161 709
Total Liabilities		213 590 821	141 897 651
Total Assets and Liabilities		1 490 640 479	1 504 345 797
NET ASSETS		1 490 640 479	1 504 345 797
Statutory Funds	19	5 326 876	5 352 976
Accumulated Surplus / (Deficit)	20	1 485 313 602	1 498 992 821
Total Net Assets		1 490 640 479	1 504 345 797

MAKANA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 June 2011

	Note	Actual		Budget
		2011 R	2010 R Restated	2011 R
REVENUE				
Revenue from Non-exchange Transactions				
Property Rates	21	31 208 875	29 885 761	33 632 250
Fines		1 144 351	1 499 879	712 750
Licences and Permits		2 583 655	2 332 107	2 073 790
Income for Agency Services		942 661	486 128	700 000
Government Grants and Subsidies Received	25	88 425 417	104 803 381	86 229 260
Revenue from Exchange Transactions				
Service Charges	22	115 581 558	111 527 145	115 753 730
Rental of Facilities and Equipment	24	1 153 261	981 446	1 036 830
Interest Earned - External Investments	23	4 767 261	5 192 687	7 500 000
Interest Earned - Outstanding Debtors	23	7 787 726	9 107 209	8 000 000
Other Income	26	1 237 557	2 456 607	1 078 420
Profit on Sale of Land:-		107 000	118 415	-
Sale of Land		107 000	118 415	-
Total Revenue		254 939 322	268 390 764	256 717 030
EXPENDITURE				
Employee Related Costs	27	100 068 342	75 926 325	88 191 636
Remuneration of Councillors	28	6 210 055	5 936 753	6 966 490
Debt impairment		22 598 390	37 148 692	21 967 200
Depreciation and Amortisation	29	46 128 900	43 173 723	5 361 780
Repairs and Maintenance		16 593 605	10 394 063	16 117 869
Finance Costs	30	280 683	269 774	-
Bulk Purchases	31	49 891 965	37 507 853	48 321 890
Contracted Services		2 320 756	394 426	3 364 171
Grants and Subsidies Paid	32	1 449 664	1 266 608	1 464 200
Stock Adjustments		-	1 829 506	-
General Expenses	33	42 621 568	38 960 179	64 961 794
Total Expenditure		288 163 928	252 807 902	256 717 030
DISCONTINUED OPERATIONS				
Surplus / (Deficit) from Discontinued Operations	35	(658 374)	(1 404 469)	
ASSOCIATED OPERATIONS				
SURPLUS / (DEFICIT) FOR THE YEAR		(33 882 981)	14 178 393	-
Refer to Appendix E(1) for explanation of budget variances				

MAKANA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 June 2011

Description	Housing Development Fund	Accumulated Surplus / (Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
	R	R	R	R
2010				
Balance at 30 June 2009 as previously stated	5 374 224	283 502 267	283 502 267	288 876 491
Change in Accounting Policy (Note 36)		1 200 961 391	1 200 961 391	1 200 961 391
Correction of Error (Note 37)		329 522	329 522	329 522
Restated Balance	5 374 224	1 484 793 180	1 484 793 180	1 490 167 404
Surplus / (Deficit) for the year		14 178 393	14 178 393	14 178 393
Transfer to Housing Development Fund	(21 248)	21 248	21 248	-
Balance at 30 June 2010	5 352 976	1 498 992 821	1 498 992 821	1 504 345 797
2011				
Change in Accounting Policy (Note 36)		-	-	-
Correction of Error (Note 37)		-	-	-
Restated Balance	5 352 976	1 498 992 821	1 498 992 821	1 504 345 797
Surplus / (Deficit) for the year		(33 882 981)	(33 882 981)	(33 882 981)
Transfer to Housing Development Fund	(26 100)	26 100	26 100	-
Effect of change in accounting policy on Property, Plant and Equipment and intangible assets	-	20 177 662	20 177 662	20 177 662
Deficit on revaluation of Property, Plant & Equipment		-	-	-
Balance at 30 June 2011	5 326 876	1 485 313 602	1 485 313 602	1 490 640 479
	-	(0.00)	(0.00)	

Details on the movement of the Funds and Reserves are set out in Notes 19 and 20.

MAKANA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 June 2011

	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		245 002 900	232 099 183
Cash paid to Suppliers and Employees		(166 181 709)	(157 489 255)
Cash generated from / (utilised in) Operations	38	78 821 191	74 609 927
Interest received	23	4 767 261	5 192 687
Interest paid	30	(280 683)	(269 774)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		83 307 769	79 532 840
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	7	(70 444 790)	(77 964 611)
Purchase of Intangible Assets	8	(61 765)	12 105
(Increase) / decrease in Non-current Investments	9	(506 033)	(811 668)
(Increase) / decrease in Long-term Receivables	10	182	5 254
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(70 905 406)	(78 640 504)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans repaid	16	(902 658)	(775 100)
NET CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES		(902 658)	(775 100)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	7	11 499 705	117 237
Cash and Cash Equivalents at the beginning of the year		60 269 049	60 151 812
Cash and Cash Equivalents at the end of the year		71 768 754	60 269 049

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R 2010
R

1. GENERAL INFORMATION

Makana Municipality (the municipality) is a local government institution in Grahamstown, Eastern Cape. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction and overview of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by The Constitution.

The municipality adopted a phased-in approach in order to comply fully with the implementation of GRAP. The municipality is classified by the National Treasury as a medium capacity municipality and must comply with GRAP by 30 June 2009. The municipality, however, took advantage of the transitional provisions in Directive 4 from the Accounting Standards Board and as at 30 June 2011 the municipality now fully implemented all GRAP Standards.

2 INVENTORY

Consumable Stores - at cost	2 553 619	1 780 375
Maintenance Materials - at cost	3 308 552	3 669 591
Water - at cost	9 190	13 103
Total Inventory	5 871 361	5 463 069

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Inventory in accordance with GRAP 12 for the financial years up to 30 June 2010 for the following inventory:

Unpurified Water;
Water in pipelines
Land held for sale

The municipality has identifying and measured all Inventory in terms of GRAP 12 for the financial year ended 30 June 2011. The balances of the inventory have been retrospectively restated accordingly. Refer to change in accounting policy note 36.

Inventories are held for own use with the result that no write downs of Inventory to Net Realisable Value were required.

Inventory to the value of R0,535 million (2010: R1,83 million) was written off during the year. The cost of Inventories recognised as an expense during the period, in respect of both Continuing and Discontinued Operations, was R5.2 million (2010: R5,2 million).

3 TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2011

Service Debtors:	136 297 973	124 854 276
Electricity	36 621 839	25 540 967
Refuse	9 276 412	9 658 441
Sewerage	30 988 025	30 146 552
Water	59 411 697	59 508 316
VAT Receivable	29 673 842	16 505 601
Other Debtors	16 961 771	5 420 295
Total Consumer Debtors	182 933 586	146 780 172
Provision for impairment	(109 877 227)	(90 164 002)
Net Consumer Debtors	73 056 359	56 616 169

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
3.1 Ageing of Consumer Debtors		
Electricity: Ageing		
<i>Current:</i>		
0 - 30 days	6 446 665	4 991 936
<i>Past Due:</i>		
31 - 60 Days	4 318 628	3 133 954
61 - 90 Days	3 089 181	2 493 096
91 Days +	22 767 365	14 921 981
Total	36 621 839	25 540 967
Refuse: Ageing		
<i>Current:</i>		
0 - 30 days	542 253	(761 811)
<i>Past Due:</i>		
31 - 60 Days	(146 089)	230 049
61 - 90 Days	(20 912)	197 806
91 + Days	8 901 160	9 992 397
Total	9 276 412	9 658 441
Sewerage: Ageing		
<i>Current:</i>		
0 - 30 days	1 084 518	90 464
<i>Past Due:</i>		
31 - 60 Days	942 978	448 255
61 - 90 Days	726 961	393 031
91 + Days	28 233 568	29 214 803
Total	30 988 025	30 146 552
Water: Ageing		
<i>Current:</i>		
0 - 30 days	2 853 341	846 078
<i>Past Due:</i>		
31 - 60 Days	2 433 196	1 736 995
61 - 90 Days	2 590 087	1 946 283
91 - 120 Days	51 702 611	54 978 960
Total	59 579 235	59 508 316
	167 537.82	
Other Debtors: Ageing		
<i>Current:</i>		
0 - 30 days	286 324	133 932
<i>Past Due:</i>		
31 - 60 Days	103 444	112 803
61 - 90 Days	134 427	114 660
91 - 120 Days	16 437 576	5 058 899
Total	16 961 771	5 420 295

As at 30 June 2011 Consumer Debtors of R134 861 804 (2010: R126,110,946) were past due but not impaired.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R		
3.2 Summary of Debtors by Customer Classification				
	Household	Industrial/ Commercial	National and Provincial Government	Total
	R	R	R	R
As at 30 June 2011				
<i>Current:</i>				
0 - 30 days	8 445 152	2 846 942	801 940	12 094 034
<i>Past Due:</i>				
31 - 60 Days	6 607 617	1 222 948	731 364	8 561 929
61 - 90 Days	5 996 877	688 437	535 775	7 221 089
+ 90 Days	<u>108 553 396</u>	<u>22 180 549</u>	<u>14 261 815</u>	<u>144 995 760</u>
Sub-total	129 603 042	26 938 876	16 330 894	172 872 812
Less: Provision for Impairment	<u>(103 720 271)</u>	<u>(20 590 407)</u>	-	<u>(124 310 677)</u>
Total Debtors by Customer Classification	<u>25 882 772</u>	<u>6 348 469</u>	<u>16 330 894</u>	<u>48 562 135</u>

No summary of debtors by customer classification for the prior period is provided as the detail required to produce the summary was not available. Trade receivables from non-exchange transactions have been included in the above summary as separate information was not available.

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	90 164 002	78 446 391
Impairment Losses recognised	29 951 551	31 283 103
Impairment Losses reversed / written off as uncollectable	(10 238 326)	(19 565 492)
Amounts recovered	-	-
Balance at end of year	<u>109 877 227</u>	<u>90 164 002</u>

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

In determining the recoverability of a Consumer Debtor, the municipality considers any change in the credit quality of the Consumer Debtor from the date credit was initially granted up to the reporting date. Further more the municipality has also placed a strong emphasis on verifying the indigent status of consumers. The concentration of credit risk is limited due to the customer base being spread over a large number of consumers, and is not concentrated in any particular sector or geographical area. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Provision for impairment of Consumer Debtors has been made for all consumer balances outstanding based on the aging of the debtors. The payment ratio over 12 months per service type could not be used as the municipality's accounting system was not able to provide the required information for this year.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

No financial assets have been pledged as security for the borrowings.

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

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R

2010
R

3.4 Derecognition of Financial Assets

During the year the municipality no Financial assets have been transferred to other parties.

4 TRADE RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Assessment Rates debtors	29 842 319	32 014 179
Accrued fines	104 376	121 381
Accrued interest	826 358	800 660
Sundry Debtors	2 205 668	1 206 256
	<hr/>	<hr/>
	32 978 721	34 142 476
Less: Provision for Impairment	(14 433 450)	(21 786 612)
	<hr/>	<hr/>
Total Other Debtors	18 545 271	12 355 865

Other Debtors have been restated to correctly classify amounts to be included in Other Debtors. Refer to Note 37 on "Correction of Error" for details of the restatement.

Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values. The fair value of Other Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and National / Provincial Departments as well as Other Debtors.

4.1 Reconciliation of Provision for Impairment

Balance at beginning of year	21 786 612	18 888 288
Impairment Losses recognised/(reversed)	(7 353 161)	5 865 589
Amounts written off as uncollectable	-	(2 967 265)
	<hr/>	<hr/>
Balance at end of year	14 433 450	21 786 612

The Provision for Impairment was calculated based on assumptions made of the aging of debtors. The municipality's accounting system was unable to provide information needed to determine a provision based on grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

In determining the recoverability of a Rates Assessment Debtor and other receivables from non-exchange transactions, the municipality considers any change in the credit quality of the Rates Assessment Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

4.2 Assessment Rates: Ageing

Current:

0 - 30 days
 1 072 006 | (186 430) |

Past Due:

31 - 60 Days
 909 771 | 443 946 |

61 - 90 Days
 701 345 | 308 521 |

91 + Days
 --- | --- |

Total **29 842 319** | **32 014 179** |

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
5 CASH AND CASH EQUIVALENTS		
<u>Assets</u>		
Call deposits	74 665 337	64 164 838
Cash floats	7 293	7 293
Total Cash and Cash Equivalents - Assets	74 672 629	64 172 131
<u>Liabilities</u>		
Primary bank account	2 903 875	3 903 082
Total Cash and Cash Equivalents - Liabilities	2 903 875	3 903 082

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

The Municipality has the following bank accounts:

5.1 Bank Accounts

Primary Bank Account

Cash in Bank	1 061 715	1 789 603
Bank Overdraft	(3 965 590)	(5 692 685)
Total Bank Accounts	(2 903 875)	(3 903 082)

The Municipality has the following bank accounts:

First National Bank - Account Number 620 312 325 31 (Primary Account):

Cash book balance at beginning of year	(3 903 082)	(6 995 145)
Cash book balance at end of year	(2 903 875)	(3 903 082)
Bank statement balance at beginning of year	1 789 603	3 763 040
Bank statement balance at end of year	1 061 715	1 789 603

Standard Bank (Secondary Bank Account): 081 999 356

Bank statement balance at beginning of year	990 771	11 120
Bank statement balance at end of year	3 026 124	990 771

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

			2011	2010
			R	R
5.2 Call Investment Deposits				
<u>Institution</u>	<u>Account type</u>	<u>Account number</u>		
ABSA	Call Deposit	9168089016	4 002 767	3 854 013
ABSA	Call Deposit	9095609301	111 507	107 278
ABSA	32 Day Notice	2066033895	504 703	478 094
ABSA	Call Deposit	9211543694	1 125 339	1 083 281
FNB	Call Deposit	62040125876	17 949 659	113 195
FNB	Call Deposit	62073369607	111 835	108 913
FNB	32 Day Notice	74113055145	1 404 618	1 359 514
FNB	Call Deposit	62052337865	187 499	179 719
FNB	32 Day Notice	74113056383	803 988	778 171
FNB	Call Deposit	62057568259	105 422	102 414
FNB	Call Deposit	62057566716	3 301	3 252
FNB	Call Deposit	62058985288	152 612	148 553
FNB	Call Deposit	62056520416	435 321	421 670
FNB	Call Deposit	62069107590	965 621	937 676
FNB	Call Deposit	62069108085	1 219	1 207
FNB	Call Deposit	62086424703	3 702	3 628
FNB	Call Deposit	62086421048	179 442	173 109
GBS Mutual	32 Day Notice	2250600058	4 676 000	4 415 950
GBS Mutual	32 Day Notice	2250600047	939 326	887 086
GBS Mutual	32 Day Notice	3059700053	113 047	106 760
GBS Mutual	32 Day Notice	3059700042	155 918	147 247
Investec	Call Deposit	1400-190369-500	9 042 564	16 563 866
Nedbank	Call Deposit	03/7881065141/00000	14 177 986	13 442 290
Standard Bank	32 Day Notice	088816214-002	9 783 680	11 372 628
Standard Bank	Call Account	088822370-001	4 315 885	4 097 938
Standard Bank	Call Deposit	088805662-002	2 324 511	2 232 556
Standard Bank	Call Deposit	088812723-001	1 087 867	1 044 832
			74 665 337	64 164 838

The fair value of Bank Balances, Cash and Cash Equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

The management of the municipality is of the opinion that the carrying value of Bank Balances, Cash and Cash Equivalents recorded at amortised cost in the Annual Financial Statements approximate their fair values.

6 OPERATING LEASE ASSETS / RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

		Restated
Opening balance as restated	63 530	65 386
Movement	(8 777)	(1 857)
Total Operating Lease Assets	54 753	63 530

6.1 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	81 870	85 661
2 to 5 years	223 541	249 635
More than 5 years	-	55 777
Total Operating Lease Arrangements	305 411	391 072

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

- (i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.
- (ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.
- (iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

7 PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Infra-structure	Total
	R	R	R	R	R	R
Carrying values at 30 June 2010	957 656 169	474 254 990	50 620 064	12 378 255	743 219	1 495 652 697
Cost	969 657 330	500 695 701	52 537 212	22 699 161	2 026 301	1 547 615 705
- Completed Assets	969 657 330	460 990 533	52 414 373	22 699 161	2 026 301	1 507 787 698
- Under Construction	-	39 705 168	122 839	-	-	39 828 006
Revaluation	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(12 001 161)	(26 440 711)	(1 917 147)	(10 320 906)	(1 283 082)	(51 963 008)
- Cost	(12 001 161)	(26 440 711)	(1 917 147)	(10 320 906)	(1 283 082)	(51 963 008)
- Revaluation	-	-	-	-	-	-
Acquisitions	228 344	31 320 022	1 787 479	4 907 248	-	38 243 092
Borrowing Costs Capitalised	-	-	-	-	-	-
Capital under Construction - Additions	-	27 564 731	4 636 967	-	-	32 201 698
- Cost	-	27 564 731	4 636 967	-	-	32 201 698
- Borrowing Costs Capitalised	-	-	-	-	-	-
Increases in Revaluation	-	-	-	-	-	-
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(12 001 161)	(27 152 942)	(2 071 042)	(4 208 654)	(692 855)	(46 126 654)
- Based on Cost	(12 001 161)	(27 152 942)	(2 071 042)	(4 208 654)	(692 855)	(46 126 654)
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2011	945 883 352	505 986 801	54 973 468	13 076 849	50 363	1 519 970 833
Cost	969 885 674	559 580 453	58 961 658	27 606 409	2 026 301	1 618 060 495
- Completed Assets	969 885 674	492 310 555	54 201 852	27 606 409	2 026 301	1 546 030 791
- Under Construction	-	67 269 899	4 759 805	-	-	72 029 704
Accumulated Depreciation:	(24 002 322)	(53 593 653)	(3 988 189)	(14 529 560)	(1 975 938)	(98 089 661)
- Cost	(24 002 322)	(53 593 653)	(3 988 189)	(14 529 560)	(1 975 938)	(98 089 661)
- Revaluation	-	-	-	-	-	-

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2010

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Leased Assets	Total
	R	R	R	R	R	R
Carrying values at 30 June 2009	969 657 330	436 592 965	44 179 926	17 253 777	1 967 096	1 460 861 810
Cost as restated stated	25 962 225	221 191 914	1 922 122	23 496 299	1 967 096	274 539 656
- Completed Assets	25 962 225	221 191 914	1 922 122	23 496 299	1 967 096	274 539 656
- Under Construction	-	-	-	-	-	-
Change in accounting policy (Note 36)	943 695 105	215 401 051	42 257 804	(6 242 522)	-	1 195 111 438
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	-	-	-	(7 858 493)	(930 791)	(8 789 284)
- Cost as previously stated	-	-	-	-	-	-
- Change in accounting policy	-	-	-	(7 858 493)	(930 791)	(8 789 284)
Acquisitions	-	24 397 568	8 234 447	5 445 384	59 205	38 136 604
Capital under Construction - Additions	-	39 705 168	122 839	-	-	39 828 006
- Cost	-	39 705 168	122 839	-	-	39 828 006
Reversals of Impairment Losses	-	-	-	-	-	-
Depreciation:	(12 001 161)	(26 440 711)	(1 917 147)	(2 462 413)	(352 291)	(43 173 723)
- Based on Cost	(12 001 161)	(26 440 711)	(1 917 147)	(2 462 413)	(352 291)	(43 173 723)
- Based on Revaluation	-	-	-	-	-	-
Carrying values at 30 June 2010	957 656 169	474 254 990	50 620 064	12 378 255	743 219	1 495 652 697
Cost	969 657 330	500 695 701	52 537 212	22 699 161	2 026 301	1 547 615 705
- Completed Assets	969 657 330	460 990 533	52 414 373	22 699 161	2 026 301	1 507 787 698
- Under Construction	-	39 705 168	122 839	-	-	39 828 006
Accumulated Impairment Losses	-	-	-	-	-	-
Accumulated Depreciation:	(12 001 161)	(26 440 711)	(1 917 147)	(10 320 906)	(1 283 082)	(51 963 008)
- Cost	(12 001 161)	(26 440 711)	(1 917 147)	(10 320 906)	(1 283 082)	(51 963 008)
- Revaluation	-	-	-	-	-	-

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

The municipality has identified and measured all Property, plant and equipment in terms of GRAP 17 for the financial year ended 30 June 2011. The balances of the Property, plant and equipment have been retrospectively restated accordingly.

All infrastructure assets were valued as at 30 June 2011 using the depreciated replacement cost approach.

Refer to Appendices "B and C" for more detail on Property, Plant and Equipment, including those in the course of construction.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
7 PROPERTY, PLANT AND EQUIPMENT (Continued)		
7.1 Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:		
Land and Buildings	86 300	86 300
Infrastructure	3 402	-
Other	6 294 154	5 129 062
Carrying Value of PPE fully depreciated and still in use	6 383 857	5 215 362

7.2 Impairment of Property, Plant and Equipment:

Impairment of Property, Plant and Equipment was taken into consideration during the process of identifying Property, Plant and Equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Impairment were not calculated separately and therefore no impaired values are disclosed.

7.3 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed:

The Remaining Useful Life of property, plant and equipment was taken into consideration during the process of identifying property, plant and equipment and included in the Depreciated Replacement Cost calculated during the exercise. The amounts for Change in Useful Life were not calculated separately and therefore no changes in values are disclosed.

8 INTANGIBLE ASSETS

	Restated	
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	59 519	-
The movement in Intangible Assets is reconciled as follows:		
	Computer Software	Total
Carrying values at 01 July 2010	-	-
Acquisitions during the Year:	61 765	61 765
Change in accounting policy (Refer to note 36)	61 765	61 765
Amortisation during the Year:	(2 246)	(2 246)
Purchased	(2 246)	(2 246)
Carrying values at 30 June 2011	59 519	59 519
Cost	61 765	61 765
Accumulated Amortisation	(2 246)	(2 246)
Accumulated Impairment Losses	-	-
	59 519	59 519

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
	Computer Software	Total
Carrying values at 01 July 2009	-	-
Cost	12 105	12 105
Change in accounting policy (Refer to note 36)	(12 105)	(12 105)
Accumulated Amortisation	-	-
Carrying values at 30 June 2010	-	-
Cost	-	-
Accumulated Amortisation	-	-

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 29).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

The municipality amortises the computer software. The useful lives of the intangible assets are as follows:

Computer software 2 years

Servitudes are regarded as having Indefinite Useful Lives as they are registered permanently, the agreements not having a maturing date.

Amortisation, where applicable, is charged on a straight-line basis over the intangible assets' useful lives.

No restrictions apply to any of the Intangible Assets of the municipality.

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognise all the Intangible Assets in accordance with GRAP 102 for the financial years up to 30 June 2011 for the following assets:

Computer Software

The municipality has identifying and measured all Intangible Assets in terms of GRAP 102 for the financial year ended 30 June 2011. The balances of the Intangible assets have been retrospectively restated accordingly. Refer to accounting policy change note 36.

9 NON-CURRENT INVESTMENTS

Financial Instruments

Collateral deposits	161 477	161 477
Fixed deposits	11 615 806	11 109 772
	<u>11 777 283</u>	<u>11 271 249</u>

Total Investments

All Investments	11 777 283	11 271 249
Less: Short-term Portion transferred to Current Investments	-	-
	<u>11 777 283</u>	<u>11 271 249</u>

Included in Non-Current investments are balances ring-fenced for the following specific purposes:

Collateral	<u>161 477</u>	<u>161 477</u>
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MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
Fixed deposits consist out of the following accounts:		
<u>Institution</u>	<u>Account type</u>	<u>Account number</u>
ABSA	Fixed Deposit	2066155099
FNB	Fixed Deposit	71114249115
FNB	Fixed Deposit	71113058913
GBS Mutual	Fixed Deposit	2250604601
GBS Mutual	Fixed Deposit	2250604634
GBS Mutual	Fixed Deposit	2250604645
Standard Bank	Fixed Deposit	088807657-004
Standard Bank	Fixed Deposit	088812685-001
	522 753	485 379
	7 158 140	6 652 547
	3 209 847	2 960 568
	179 100	166 218
	-	320 000
	127 203	118 054
	145 671	135 571
	271 437	271 437
	11 614 151	11 109 772

Fixed Deposits are investments with a maturity period of more than 12 months and earn interest at varying rates.

The Municipal Structures Act, Act 177 of 1998, requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate of interest to meet commitments.

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

10 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2011			
Car Loans	5 752	-	5 752
	5 752	-	5 752
Less: Current Portion transferred to Current Receivables:- Car Loans			5 752
Total Long-term Receivables			-
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2010			
Car Loans	5 934	-	5 934
	5 934	-	5 934
Less: Current Portion transferred to Current Receivables:- Car Loans			5 934
Total Long-term Receivables			-

CAR LOANS

In terms of the MFMA no Car Loans are granted to officials anymore. The outstanding amount is in respect of loans granted before 01 July 2005 and will continue until all loans have been repaid.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011 **2010**
R **R**

Long-term Receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

11 CONSUMER DEPOSITS

Electricity	1 440 573	1 444 693
Water	545 195	469 741
Total Consumer Deposits	1 985 768	1 914 434
Guarantees held in lieu of Electricity and Water Deposits	142 918	142 918

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

The management of the municipality is of the opinion that the carrying value of Consumer Deposits approximate their fair values.

The fair value of Consumer Deposits was determined after considering the standard terms and conditions of agreements entered into between the municipality and its consumers.

12 PROVISIONS

Current Portion of Employee Benefits (See Note 18 below)	2 321 399	1 969 916
Task implementation backpay	-	557 428
Total Provisions	2 321 399	2 527 344

The movement in current provisions are reconciled as follows:

Current Portion of Non-Current Provisions:

		Task implimentaion backpay R
30 June 2011		
Balance at beginning of year		557 428
Transfer from non-current		-
Contributions to provision		-
Expenditure incurred		(557 428)
Balance at end of year		-
30 June 2010		
Balance at beginning of year		-
Transfer from non-current		-
Contributions to provision		557 428
Expenditure incurred		-
Balance at end of year		557 428

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
13 CREDITORS		Restated
Trade Creditors	973 314	421 573
Payments received in Advance	-	308 376
Retentions	635 730	-
Sundry Deposits	1 274 361	697 491
Other Creditors	35 367 587	16 574 170
Accrued leave	6 656 725	4 094 673
Total Creditors	44 907 716	22 096 281

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

The management of the municipality is of the opinion that the carrying value of Creditors approximate their fair values.

The fair value of Creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

14 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

14.1 Conditional Grants from Government

Unspent National, Provincial and other Government Grants	68 056 285	43 645 851
Less: Unpaid National, Provincial and other Government Grants	217 541	(642 804)
Total Conditional Grants and Receipts	68 273 826	43 003 047

The amount for Unspent Conditional Grants and Receipts are deposited in ring-fenced investment accounts until utilised.

See Note 32 for the reconciliation of Grants from Other Spheres of Government. The Unspent Grants are cashbacked by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

15 VAT PAYABLE

Vat Payable	44 323 817	28 314 807
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VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

16 LONG TERM LIABILITIES

Annuity Loans	1 084 573	1 628 122
Finance Lease Liabilities	494 614	853 722
Sub-total	1 579 187	2 481 845
Less: Current Portion transferred to Current Liabilities:-	977 738	902 658
Annuity Loans	621 360	543 549
Finance Lease Liabilities	356 378	359 108
Total Long-term Liabilities	601 449	1 579 187

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R

2010
R

16.1 Summary of Arrangements

There is one annuity loan outstanding, it carries interest at 13,50% per annum and will be fully redeemed in February 2013. The annuity loan is secured by the assessment rates payable by Rhodes University. No other loans are secured by any assets of the municipality.

Finance Lease Liabilities relates to IT Equipment with lease terms of 5 years. Capitalised Lease Liabilities are secured over the items of equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Refer to Appendix "A" for more detail on Long-term Liabilities.

16.2 Obligations under Annuity loans

	Minimum Lease Payments		Present Value of Minimum Lease	
	2011	2010	2011	2010
Amounts payable under finance leases:	R	R	R	R
Within one year	730 721	730 721	730 721	730 721
In the second to fifth years, inclusive	487 147	1 217 868	487 147	1 217 868
Over five years	-	-	-	-
	<u>1 217 868</u>	<u>1 948 588</u>	<u>1 217 868</u>	<u>1 948 588</u>
Less: Future Finance Obligations	133 295	320 466	133 295	320 466
Present Value of Minimum Lease Obligations	<u>1 084 573</u>	<u>1 628 122</u>	<u>1 084 573</u>	<u>1 628 122</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(621 360)	(543 549)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>463 213</u>	<u>1 084 573</u>

16.3 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2011	2010	2011	2010
Amounts payable under finance leases:	R	R	R	R
Within one year	402 122	452 620	402 122	452 620
In the second to fifth years, inclusive	151 126	553 248	151 126	553 248
Over five years	-	-	-	-
	<u>553 248</u>	<u>1 005 868</u>	<u>553 248</u>	<u>1 005 868</u>
Less: Future Finance Obligations	58 634	152 146	58 634	152 146
Present Value of Minimum Lease Obligations	<u>494 614</u>	<u>853 722</u>	<u>494 614</u>	<u>853 722</u>
Less: Amounts due for settlement within 12 months (Current Portion)			(356 378)	(359 108)
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>138 237</u>	<u>494 614</u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
17 EMPLOYEE BENEFITS		
Post-retirement Health Care Benefits Liability	43 102 639	33 724 361
Long Service Awards	3 008 959	2 127 937
	<u>46 111 598</u>	<u>35 852 298</u>
 <i>Post-retirement Health Care Benefits Liability</i>		
Balance at beginning of Year	35 319 312	32 970 770
Contributions to Provision	4 130 478	3 841 952
Expenditure incurred	(1 594 951)	(1 494 516)
Actuarial (Gains) /Losses	6 812 528	1 106
Balance at end of Year	<u>44 667 367</u>	<u>35 319 312</u>
Transfer to Current Liabilities	(1 564 728)	(1 594 951)
Total Post-retirement Health Care Benefits Liability	<u>43 102 639</u>	<u>33 724 361</u>
 <i>Long Service Awards</i>		
Balance at beginning of Year	2 502 902	2 570 595
Contributions to Provision	578 014	544 134
Expenditure incurred	(374 965)	(6 490)
Actuarial (Gains) /Losses	1 059 679	(605 337)
Balance at end of Year	<u>3 765 630</u>	<u>2 502 902</u>
Transfer to Current Liabilities	(756 671)	(374 965)
Total Long Service Awards	<u>3 008 959</u>	<u>2 127 937</u>

17.1 Post-retirement Health Care Benefits Liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying 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) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	293	277
Continuation Members (Retirees, widowers and orphans)	67	71
Total Members	<u>360</u>	<u>348</u>

The liability in respect of past service has been estimated as follows:

In-service Members	293	277
Continuation Members	67	71
Total Liability	<u>360</u>	<u>348</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

Bonitas
Hosmed
LA Health
Key Health, and
SAMWU Medical Aid

The Current-service Cost for the year ending 30 June 2011 is estimated to be R1,220,530, whereas the current-service cost for the ensuing year is estimated to be R2,110,839.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.64%	8.43%
Health Care Cost Inflation Rate	7.32%	6.80%
Net Effective Discount Rate	1.23%	1.52%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	35 319 312	32 970 770
Current service costs	1 220 530	1 125 686
Interest cost	2 909 948	2 716 266
Benefits paid	(1 594 951)	(1 494 516)
Actuarial losses / (gains)	6 812 528	1 106
Present Value of Fund Obligation at the end of the Year	44 667 367	35 319 312
Less: Transfer of current portion	(1 564 728)	(1 594 951)
Total Recognised Benefit Liability	43 102 639	33 724 361
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	44 667 367	35 319 312
	44 667 367	35 319 312
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1 220 530	1 125 686
Interest cost	2 909 948	2 716 266
Actuarial losses / (gains)	6 812 528	1 106
Total Post-retirement Benefit included in Employee Related Costs (Note 27)	10 943 006	3 843 058

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the defined benefit obligation	52 000 000	37 558 121
Effect on the aggregate of the current service cost and the interest cost	4 909 900	5 170 100
Decrease:		
Effect on the defined benefit obligation	38 707 000	29 171 715
Effect on the aggregate of the current service cost and the interest cost	3 507 800	3 839 300

Refer to Note 44 "Multi-employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

17.2 Long Service Awards

The Long Service Bonus plans are defined benefit plans. As at year end, 567(2010: 866) employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R869,583 whereas the Interest-Cost for the next year is estimated to be R252,841.

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount rate	7.45%	8.35%
General Salary Inflation (long-term)	6.19%	5.38%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1.19%	2.82%
Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	2 502 902	2 570 595
Current service costs	384 692	355 048
Interest cost	193 323	189 086
Benefits paid	(374 965)	(6 490)
Actuarial losses / (gains)	1 059 679	(605 337)
Present Value of Fund Obligation at the end of the Year	3 765 630	2 502 902
Less: Transfer of current portion	(756 671)	(374 965)
Total Recognised Benefit Liability	3 008 959	2 127 937

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
18 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	1 183 635	1 161 709
		Restated
		1 161 709
Total Non-current Provisions	<u>1 183 635</u>	<u>1 161 709</u>

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not provide for the amount of the liability it will incur in future for the rehabilitation of land-fill sites.

The municipality has identified and measured the liability terms of GRAP 19 for the financial year ended 30 June 2011. The balance of the provision have been retrospectively restated accordingly.

The movement in Non-current Provisions are reconciled as follows:

Balance at beginning of year	1 161 709	1 140 559
Contributions to provision	21 926	21 150
Expenditure incurred	-	-
	<u>1 183 635</u>	<u>1 161 709</u>
Transfer to current provisions	-	-
Balance at end of year	<u>1 183 635</u>	<u>1 161 709</u>

18.1 Rehabilitation of Land-fill Sites

The municipality will incur an estimated rehabilitation costs of R2 million to restore the sites at the end of its useful life, estimated to be between 2025 and 2030.

19 STATUTORY FUNDS

Housing Development Fund:	5 326 876	5 352 976
Total Statutory Funds	<u>5 326 876</u>	<u>5 352 976</u>

19.1 Housing Development Fund

The Housing Development Fund has its origin from Loans extinguished by Government on 1 April 1998 and the net of housing transactions appropriated to the fund thereafter. No separate Unappropriated Surplus Account for housing transactions was kept.

The Housing Development Fund contains all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

20 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following:

Accumulated Surplus / (Deficit) due to the results of Operations	1 485 313 602	1 498 992 821
Total Accumulated Surplus	<u>1 485 313 602</u>	<u>1 498 992 821</u>

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

21 PROPERTY RATES

	Actual Levies	
Rateable land and buildings	34 745 370	33 066 226
Less: Rebates	(3 536 495)	(3 180 465)
	<u>31 208 875</u>	<u>29 885 761</u>

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
	Property Valuations	
	July 2011	July 2010
	R000's	R000's
Residential	4 466 748 250	4 568 220 500
Commercial	3 048 831 700	2 038 870 500
Agricultural	1 520 026 200	1 817 142 000
State	664 084 600	417 296 500
Municipal	207 554 000	126 164 000
Exempted Properties	285 667 100	193 846 999
Total Assessment Rates	10 192 911 850	9 161 540 499

Attributable to:		
Continuing Operations	31 208 875	29 885 761
Discontinued Operations	-	-
	31 208 875	29 885 761

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The last valuation came into effect on 1 July 2010. A general valuation has been performed during the prior financial year.

An average general rate of 0,1 c/R (2010/2009: 0,82 c/R) is applied to property valuations to determine assessment rates.

A uniform rate for the same class and type of property will be applied with the implementation of the Property Rates Act. It is envisaged that such rate will be introduced with effect 1 July 2010.

Rates are levied monthly on property owners and are payable the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

22 SERVICE CHARGES

Sale of Electricity	85 391 897	73 587 639
Sale of Water	16 754 411	23 612 586
Refuse Removal	3 035 282	3 790 011
Sewerage and Sanitation Charges	10 229 454	10 403 895
Other service charges	170 514	133 014
Total Service Charges	115 581 558	111 527 145

Attributable to:		
Continuing Operations	115 581 558	111 527 145
Discontinued Operations	-	-
	115 581 558	111 527 145

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

23 INTEREST EARNED

Investments	4 767 261	5 192 687
	4 767 261	5 192 687

Outstanding Debtors:		
Outstanding Billing Debtors	7 787 726	9 107 209
	7 787 726	9 107 209

Total Interest Earned	12 554 986.67	14 299 896.00
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MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
24 RENTAL OF FACILITIES AND EQUIPMENT		
Operating Lease Rental Revenue:		
- Investment Property	968 239	832 215
Rental Revenue from Halls	159 605	102 088
Rental Revenue from Other Facilities	25 417	47 143
Total Rental of Facilities and Equipment	<u>1 153 261</u>	<u>981 446</u>
Attributable to:		
Continuing Operations	1 153 261	981 446
Discontinued Operations	-	-
	<u>1 153 261</u>	<u>981 446</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

25 GOVERNMENT GRANTS AND SUBSIDIES

Provincial Equitable Share	47 269 815	42 641 297
Provincial Health Subsidies	1 131 106	1 339 892
Other Subsidies	-	3 242 078
Operational Grants	<u>48 400 921</u>	<u>47 223 267</u>
Conditional Grants	<u>40 024 495</u>	<u>57 580 114</u>
Total Government Grants and Subsidies	<u>88 425 417</u>	<u>104 803 381</u>
Attributable to:		
Continuing Operations	85 295 614	99 815 533
Discontinued Operations	3 129 802	4 987 848
	<u>88 425 417</u>	<u>104 803 381</u>

Operational Grants:

25.1 National: Equitable Share

- EQUITABLE SHARE		
Balance unspent at beginning of year	-	-
Grants received	47 269 815	42 641 297
Conditions met - transferred to Revenue	<u>(47 269 815)</u>	<u>(42 641 297)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy up to R130, based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and 50 kWh electricity free every month.

25.2 Provincial: Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts - included in Public Health vote	1 131 106	1 339 892
Conditions met - transferred to Revenue	<u>(1 131 106)</u>	<u>(1 339 892)</u>
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

This grant has been used exclusively to fund clinic services (included in Appendix "D"), which services are in a process of being transferred to Provincial Government. This grant will then fall away. The conditions of the grant have been met, but no moneys were transferred to the municipality.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
Conditional Grants:		
25.3 National: FMG Grant		
Balance unspent at beginning of year	-	480 829
Current year receipts	1 200 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(1 200 000)	(1 441 029)
Conditions met - transferred to Revenue: Capital Expenses	-	(39 800)
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to high capacity municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

25.4 National: MIG Funds

Balance unspent at beginning of year	34 046 385	36 671 622
Current year receipts	55 184 775	55 170 272
Interest allocated	-	-
Conditions met - transferred to Revenue: Operating Expenses	(665 225)	(430 768)
Conditions met - transferred to Revenue: Capital Expenses	(36 607 808)	(57 364 740)
TRSS	7 604 944	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>59 563 071</u>	<u>34 046 385</u>

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads and sewerage infrastructure as part of the upgrading of previously disadvantaged areas (included in the Roads and Sewerage votes in Appendix "B"). No funds have been withheld.

25.5 National: MSIG Funds

Balance unspent at beginning of year	188 142	32 610
Current year receipts	-	735 000
Conditions met - transferred to Revenue: Operating Expenses	-	(508 895)
Conditions met - transferred to Revenue: Capital Expenses	-	(70 573)
TRSS	(188 142)	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>-</u>	<u>188 142</u>

The Municipal Systems Improvement Grant is allocated to municipalities to improve municipal systems and was used to improve information technology networks and Ward Committee operations. No funds have been withheld.

25.6 National - Housing Grants

Balance unspent at beginning of year	4 805 392	4 575 776
Current year receipts	-	-
Interest allocated	55 131	229 616
Conditions met - transferred to Revenue: Operating Expenses	-	-
TRSS	187 029	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>5 047 552</u>	<u>4 805 392</u>

Housing grants was utilised for the development of erven and the erection of top structures.

25.7 Other Grants

Balance unspent at beginning of year	3 948 292	3 673 805
Current year receipts	984 455	1 240 872
Conditions met - transferred to Revenue: Operating Expenses	(1 551 462)	(966 386)
Conditions met - transferred to Revenue: Capital Expenses	-	-
TRSF	64 376	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>3 445 662</u>	<u>3 948 292</u>

Various grants were received from other spheres of government (eg. Cacadu Public Viewing Area Grant, Department of Water and Forestry)

25.8 Total Grants

Balance unspent at beginning of year	42 988 211	45 434 642
Current year receipts	105 770 152	102 127 333
Interest allocated	55 131	229 616
Conditions met - transferred to Revenue: Operating Expenses	-51 817 609	-47 328 267
Conditions met - transferred to Revenue: Capital Expenses	-36 607 808	-57 475 113
TRFS	7 668 207	-
Conditions still to be met - transferred to Liabilities (see Note 14)	<u>68 056 284</u>	<u>42 988 211</u>

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R

2010
R

25.9 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2010), government grant funding is expected to increase over the forthcoming three financial years.

26 OTHER INCOME

Building Plan Fees	407 256	416 425
Other Income	830 300	2 040 182
Total Other Income	1 237 557	2 456 607
Attributable to:		
Continuing Operations	1 237 557	2 454 107
Discontinued Operations	-	2 500
	1 237 557	2 456 607

The amounts disclosed above for Other Income are in respect of services, other than described in Notes 21 to 22, rendered which are billed to or paid for by the users as the services are required according to approved tariffs. Inter-departmental Recoveries are received from other trading and economic services.

27 EMPLOYEE RELATED COSTS

Employee Related Costs - Salaries and Wages	62 291 493	52 992 171
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	14 735 567	12 682 598
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2 861 688	1 807 227
Housing Benefits and Allowances	422 311	443 217
Leave Pay	3 036 438	(576 834)
Overtime Payments	4 287 408	3 615 026
Defined Benefit Plan Expense:	12 433 437	4 386 086
Current Service Cost	1 457 959	1 480 734
Interest Cost	3 103 271	2 905 352
Net Actuarial (gains)/losses recognised	7 872 207	-
Transfer of reversal of leave to other income	-	576 834
Total Employee Related Costs	100 068 342	75 926 325
Attributable to:		
Continuing Operations	96 825 305	70 314 878
Discontinued Operations	3 243 037	5 611 447
	100 068 342	75 926 325

No advances were made to employees. Loans to employees are set out in Note 10.

Remuneration of Section 57 employees
Remuneration of the Municipal Manager

Annual Remuneration	878 617	766 888
Car Allowance	142 697	133 329
Telephone allowance	12 974	12 123
Company Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	1 035 785	913 837

Remuneration of the Director: Finance

Annual Remuneration	568 272	475 309
Car Allowance	116 748	109 084
Telephone allowance	9 741	9 102
Company Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	696 258	594 992

During the year the current CFO (Mr MJ Ngcelwane) was suspended from his duties while an forensic investigation by the municipality is under way.

Remuneration of the Director: Corporate Services

Annual Remuneration	547 407	485 237
Car Allowance	64 542	60 304
Telephone allowance	7 797	7 285
Housing subsidy	43 121	40 290
Company Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	664 364	594 613

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
Remuneration of the Director: Community and Social Services		
Annual Remuneration	655 599	579 394
Car Allowance	116 748	109 084
Telephone allowance	9 741	9 102
Company Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	783 585	699 077
Remuneration of the Director: Technical and Infrastructure Services		
Annual Remuneration	655 306	577 081
Car Allowance	116 748	109 084
Telephone allowance	9 741	9 102
Company Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	783 292	696 764
Remuneration of the Manager: Local and Economic Development		
Annual Remuneration	683 962	579 393
Car Allowance	116 748	109 085
Telephone allowance	9 741	9 102
Company Contributions to UIF, Medical and Pension Funds	1 497	1 497
Total	811 948	699 077
28 REMUNERATION OF COUNCILLORS		
Executive Mayor	430 897	402 639
Councillors	4 033 676	3 924 100
Sundry Allowances (Cellular Phones, etc)	1 745 482	1 610 014
Total Councillors' Remuneration	6 210 055	5 936 753
In-kind Benefits		
The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.		
Councillors may utilise official Council transportation when engaged in official duties.		
The Executive Mayor and Deputy Executive Mayor have use of Council owned vehicles for official duties.		
The Executive Mayor has two full-time bodyguards.		
29 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	46 126 654	43 173 723
Amortisation: Intangible Assets	2 246	-
Total Depreciation and Amortisation	46 128 900	43 173 723
Attributable to:		
Continuing Operations	46 128 900	43 173 723
Discontinued Operations	-	-
	46 128 900	43 173 723
30 FINANCE COSTS		
Long term liabilities	202 873	255 454
Bank Overdrafts	77 810	14 320
Total Interest Expense	280 683	269 774
Less: Amounts included in the Cost of qualifying Assets	-	-
Total Interest Paid on External Borrowings	280 683	269 774
Attributable to:		
Continuing Operations	280 683	269 774
Discontinued Operations	-	-
	280 683	269 774

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
31 BULK PURCHASES		
Electricity	47 892 069	37 496 040
Water	1 999 897	11 813
Total Bulk Purchases	49 891 965	37 507 853

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom.

32 GRANTS AND SUBSIDIES PAID		
Tourism	508 600	464 500
Other	941 064	802 108
Total Grants and Subsidies	1 449 664	1 266 608

Free Basic Services are in respect of providing basic service levels to indigent/residential households.

The **Tourism Grant** is paid annually in the municipality's aim to carry the diversity of cultures to all communities.

The Executive Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

33 GENERAL EXPENSES		
Advertising	1 321 393	1 594 540
Administration charges	2 871 544	701 988
Audit Fees	2 897 621	2 739 983
Bank Charges	554 890	342 438
Chemicals and Poison	2 251 149	1 580 970
Cleaning material	117 864	213 731
Commissions paid	928 732	123 722
Conference expenses	1 308 377	1 545 285
Connection Fees	424 099	447 698
Corporate Branding	237 194	579 885
Electricity: Street lights	567 696	803 203
Fuel and Oil	3 099 869	2 647 083
General Expenditure incurred from Grants	724 006	-
Interview expenses	56 204	96 626
Insurance and security	2 541 250	1 748 184
Legal Costs	2 349 599	1 495 131
License cards and licences	301 386	198 706
Loss Control	19 107	-
Materials and Stocks	776 997	915 617
Mayoral Special Programmes	-	223 278
Newsletter	265 146	301 080
Other General Expenses	(266 449)	1 718 385
Postage and Telephone	3 040 212	3 108 921
Power complaints	131 633	128 773
Publications and subscriptions	481 914	571 084
Project expenses from own funds	2 992 380	2 398 863
Purchases	667 179	973 736
Relocation expenditure	173 423	148 410
Rental expenses	322 532	593 791
Services	7 926 639	5 747 266
Skills development levy	758 109	705 905
Street Signs and Notices	105 800	447 543
Survey costs	134 495	103 523
Training Costs	440 963	433 802
Travelling and Subsistence	701 807	224 288
Uniforms and Protective Clothing	343 355	559 012
Valuation expenses	1 053 450	2 797 730
Total General Expenses	42 621 568	38 960 179

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R 2010
R

34. DISCONTINUED OPERATIONS

No operations have been discontinued.

34.1 Health Services discontinued

The operations of the Health Services, namely Clinics, Community Services and Prime Health Care, were discontinued during the year and transferred to the Provincial Administration Eastern Cape on 30 June 2011 as per agreement. All moveable assets related to the services have been transferred to the Provincial Health Administration at carrying value with the result that no impairment losses were recognised on the reclassification of these operations as held-for-sale. The discontinuation of Health Services is consistent with the Health Act, which classifies the services as the responsibility of the Provincial Authority. The transfer of Health Services was completed on 30 June 2011 on which date control of the services passed to the Provincial Administration Western Cape.

34.2 Analysis of Surplus / (Deficit) for the year from Discontinued Operations

The results of the Discontinued Operations included in the Statement of Financial Performance are set out below. The comparative Surplus/(Deficit) and Cash Flows from Discontinued Operations have been represented to include those operations classified as discontinued in the current period.

	Health Services R	Total R
30 June 2011		
REVENUE		
Government Subsidies	3 129 802	3 129 802
Total Income	3 129 802	3 129 802
LESS: EXPENDITURE		
Employee Related Costs	3 243 037	3 243 037
Repairs and Maintenance	39 511	39 511
General Expenses	505 628	505 628
	(658 374)	(658 374)
Net Surplus/(Deficit) from Discontinued Operations	(658 374)	(658 374)
Cash Flows from Discontinued Operations		
Net Cash Flows from Operating Activities	(658 374)	(658 374)
	(658 374)	(658 374)
30 June 2010		
REVENUE		
Government Subsidies	4 987 848	4 987 848
Other Income	2 500	2 500
Total Income	4 990 348	4 990 348
LESS: EXPENDITURE		
Employee Related Costs	5 611 447	5 611 447
Depreciation	-	-
Repairs and Maintenance	72 187	72 187
General Expenses	711 183	711 183
	(1 404 469)	(1 404 469)
Net Surplus/(Deficit) from Discontinued Operations	(1 404 469)	(1 404 469)
Cash Flows from Discontinued Operations		
Net Cash Flows from Operating Activities	(1 404 469)	(1 404 469)
	(1 404 469)	(1 404 469)

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R 2010
R

35. CHANGE IN ACCOUNTING POLICY

The municipality previously opted to take advantage of the transitional provisions on GRAP 12 Inventory, GRAP 17 Property, plant and equipment, GRAP 16 Investment Property and GRAP 102 Intangible assets as set out in Directive 4. Under Directive 4, the Municipality was not required to measure inventory, property, plant and equipment, investment property or intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP 12 Inventory, GRAP 17 Property, plant and equipment, GRAP 16 Investment Property and GRAP 102 Intangible assets, being 1 July 2008. Furthermore where the initial accounting for inventory, property, plant and equipment, investment property or intangible assets was incomplete by the end of a reporting period in which the Standard became effective or the transfer occurred, whichever was later, the municipality reported for those items of inventory, property, plant and equipment, investment property or intangible assets for which the accounting was incomplete at provisional amounts in its financial statements.

At 30 June 2011, the Municipality is no longer able to apply the abovementioned transitional provisions, and thus in terms of Directive 4, the Municipality should retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of GRAP 12 Inventory, GRAP 17 Property, plant and equipment, GRAP 16 Investment Property and GRAP 102 Intangible assets.

The effect of the change in Accounting Policy is on the current and comparative figures are as follows:

Decrease/(increase) in Accumulated surplus 30 June 2009 (opening balance 2009/2010)	(1 200 967 316)
Increase/(decrease) in Expenditure	43 173 723
<i>Repairs and maintenance</i>	
<i>Depreciation & Amortisation</i>	43 173 723
<i>General expenses</i>	
Increase/(decrease) in Assets	1 158 955 302
<i>Property, plant and equipment</i>	1 158 954 304
<i>Intangible Assets</i>	(12 105)
<i>Inventory</i>	13 103
	(1 161 709)
Decrease/(increase) in Liabilities	(1 161 709)

	Intangible assets	Property, Plant and Equipment R	Inventory R	Provision for land fill sites R
Balance as previously reported on 30 June 2009	12 105	274 539 656	4 914 009	-
Effect of Change in accounting policy	(12 105)	1 186 322 154	-	1 140 559
Restated balance at 30 June 2009	-	1 460 861 810	4 914 009	1 140 559
Effect of Change in accounting policy	-	34 790 887	13 103	21 150
Restated balance at 30 June 2010	-	1 495 652 697	4 927 112	1 161 709

36. CORRECTION OF ERROR

Corrections were made and appropriated to the Accumulated Surplus Account during the financial years ended 30 June.

Details of the appropriations are as follows:

Unappropriated Surplus Account:	
Corrections to Creditors	159 407
Corrections to Trade receivables from exchange transactions: Other debtors	(1 136 975)
Corrections to Trade receivables from non - exchange transactions: Other debtors	40 946
Corrections to VAT control account	25 898
Corrections to Stock	535 957
Corrections to Sundry Deposits	(26 767)
Corrections to Expenditure	669 289
Corrections to Income	76 603
Increase in Unappropriated Surplus Account	344 358
Government Grants Reserve:	
Interest reversed from Government Grant Reserve	(14 836)
Increase in Government Grants Reserve	(14 836)
Increase / (Decrease) in Accumulated Surplus Account	329 522

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011 **2010**
R **R**

36.1 Reclassification of Revenue:

The prior year figures of Revenue Classes have been restated to correctly classify the nature of Revenue of the municipality.

The effect of the Correction of Error is as follows:

	Income from exchange transactions	Income from non-exchange transactions
	R	R
Income as per AFS previously published for 2009/2010		
Licences and permits	2 332 107	-
Agency Services	486 128	-
Other income	4 376 080	
Rates	-	25 509 681
	7 194 315	25 509 681
Reclassification of income	(7 194 315)	7 194 315
	-	32 703 996
Income as per AFS currently disclosed for 2010/2011	-	32 703 996

36.2 Operating lease asset:

An error on the prior year balance of the operating lease asset account was corrected during the current year.

The effect of the Correction of Error is as follows:

Balance as per AFS previously published for 2009/2010	69 455
Correction of error through accumulated surplus	(5 925)
	63 530
Restated balance as per AFS currently disclosed for 2010/2011	63 530

37. CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(33 882 981)	14 178 393
Adjustment for:		
Correction of prior year Error	-	1 201 290 913
Correction of prior year Error regarding assets	-	(1 186 322 153)
Unbundling of assets	20 177 662	-
Depreciation and Amortisation	46 128 900	43 173 723
Impairment Losses on Stock	-	1 829 506
Gains on Disposal of Investment Property	(107 000)	(118 415)
Contribution to Retirement Benefit Liabilities	4 708 492	4 386 086
Expenditure incurred from Retirement Benefit Liabilities	(1 969 916)	(1 501 006)
Contribution to Provisions - Non-current - Actuarial losses / (gains)	7 872 207	(604 231)
Contribution to Provisions - Current	(205 945)	422 105
Contribution to Provisions - Current Retirement benefit liability	(351 483)	135 323
Contribution to Provisions - Non-current	21 926	1 161 709
Contribution to Impairment Provision	22 598 390	37 148 692
Bad Debts Written-off	(10 238 326)	(22 532 758)
Investment Income	(4 767 261)	(5 192 687)
Finance Costs	280 683	269 774
Operating surplus before working capital changes	50 265 348	87 724 974
(Increase)/Decrease in Inventories	(408 292)	(1 974 667)
(Increase)/Decrease in Consumer Debtors	(28 800 253)	(32 565 314)
(Increase)/Decrease in Other Debtors	(6 189 406)	(1 294 672)
(Increase)/Decrease in Operating Lease Assets	8 777	7 782
Increase/(Decrease) in Consumer Deposits	71 333	93 556
Increase/(Decrease) in Creditors	22 811 435	7 274 935
Increase/(Decrease) in Conditional Grants and Receipts	25 053 238	(2 431 595)
Increase/(Decrease) in VAT Payable	16 009 010	17 774 928
Cash generated by / (utilised in) Operations	78 821 191	74 609 927

38. FINANCING FACILITIES

Secured Bank Overdraft Facility:

- Amount used	1 000 000	1 000 000
- Amount unused	1 000 000	1 000 000
	2 000 000	2 000 000
	2 000 000	2 000 000

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R

2010
R

39. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

39.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:

Opening balance	23 266 871	59 260 368
Unauthorised Expenditure current year - capital	-	4 820 769
Unauthorised Expenditure current year - operating	-	18 446 102
Approved by Council or condoned	-	(59 260 368)
Unauthorised Expenditure awaiting authorisation	<u>23 266 871</u>	<u>23 266 871</u>

39.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance	2 707 975	137 381
Fruitless and Wasteful Expenditure current year	-	94 721
Electricity and water losses above threshold	4 188 067	2 507 196
Condoned or written off by Council	-	-
Received payment	(9 666)	-
Transfer to receivables - not condoned Cllr Simakuhle's car rental matter	-	(11 324)
Possible Insurance Claim of R20 000 reported in 2008/09 never materialised	-	(20 000)
Fruitless and Wasteful Expenditure awaiting condonement	<u>6 886 376</u>	<u>2 707 975</u>

Incident	Disciplinary Steps / Criminal Proceedings
3G Cards - R 236 907	In progress
Private Cellphones - R 287 917	In progress
Hlutha - R 106 878	In progress
Makanda - R 34 436	In progress
Mafele - R 9 666	Refunded
Investigation of consultants -R 40 492	In progress
Van der Merwe - R5 995	In progress
Shawaye - R30 303	In progress

39.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:

Opening balance	888 108	888 108
Irregular Expenditure current year	3 719 189	-
Condoned or written off by Council	-	-
Irregular Expenditure awaiting condonement	<u>4 607 297</u>	<u>888 108</u>

Incident	Disciplinary Steps / Criminal Proceedings
Umbumbano - R240 000	In progress
Investigation of consultants -R 3 479 189	In progress

40. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

40.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	441 624	460 012
Amount Paid - current year	(441 624)	(460 012)

Balance Unpaid (included in Creditors)

<u>-</u>	<u>-</u>
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40.2 Audit Fees

Opening Balance	-	-
Current year Audit Fee	2 897 621	2 734 427
Amount Paid - current year	(2 897 621)	(2 734 427)

Balance Unpaid (included in Creditors)

<u>-</u>	<u>-</u>
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40.3 VAT

VAT inputs receivables and VAT outputs receivables are shown in Notes 4 and 16. All VAT returns have been submitted by the due date throughout the year.

40.4 PAYE and UIF

Opening Balance	-	-
Current year Payroll Deductions	10 054 187	9 274 588
Amount Paid - current year	(10 053 873)	(9 274 588)

Balance Overpaid

<u>314</u>	<u>-</u>
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MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
40.5 Pension and Medical Aid Deductions		
Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	25 226 807	18 094 910
Amount Paid - current year	(25 601 248)	(18 094 910)
Balance Unpaid (included in Creditors)	(374 441)	-

40.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding as at 30 June:

E Fuleni	53	-
NS Ntamo	215	-
MR Madyo	211	-
LS Petros Mantla	2 614	-
NC Masoma	64	-
LC May	1 869	-
JN Mshubeki	508	-
BJ Nase	1 039	-
T Ngeleza	2 785	-
Z Peter	1 333	-
VG Lwane	15 153	-
NG Stamper	685	-
JPT Veleli	330	1 211
JC Wells	1 278	-
MG Whisson	1 473	-
Total Councillor Arrear Consumer Accounts	29 610	1 211

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

Total value of payment not made within 30 days as required by the MFMA	1 887 829	973 483
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40.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(2) 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 following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

Department	Date	Successful Tenderer	Reason	Amount
Special Project Unit	Year 2011/2010	Coaching clinics	Order done after event or purchases	R 240 000.00 Excluding VAT
DTIS	Year 2011/2010	Water tank stands	Emergency	R 82 275.00 Excluding VAT
Various	Year 2011/2010	Registration Fees : Events	Sole Provider / Supplier	R 62 834.44 Excluding VAT
Electricity	Year 2011/2010	High Mast Repairs	Emergency	R 55 860.00 Excluding VAT
DTIS	Year 2011/2010	Dredging & opening of the bottom dam valve	Emergency	R 48 000.00 Excluding VAT
DTIS	Year 2011/2010	Submersible pumo	Sole Provider / Supplier	R 46 740.00 Excluding VAT
Municipal Manager	Year 2011/2010	Makana News	Order done after event or purchases	R 45 885.00 Excluding VAT
Housing	Year 2011/2010	Valuation of properties	Order done after event or purchases	R 45 000.00 Excluding VAT
DTIS	Year 2011/2010	Standby pump	Emergency	R 44 916.00 Excluding VAT
Media Officer	Year 2011/2010	Calendars, pens, diaries	Order done after event or purchases	R 44 163.00 Excluding VAT

A complete list of all deviations is kept at the Municipality's head office and is available for viewing.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011	2010
	R	R
40.9 Material losses		
Material water and electricity losses during the year under review were as follows and are not recoverable.		
<u>Electricity:</u>		
Purchased during the year	111 113 489	112 749 091
Sold during the year	(74 133 260)	(81 564 364)
Unaccounted	36 980 229	31 184 727
Percentage loss in distribution	33%	28%
Cost per unit	0.12	0.12
Total cost in Rand	4 496 796	3 792 063
Normal distribution losses - (10%) of electricity purchases	1 351 140	1 371 029
Access transferred to fruitless expenditure	3 145 656	2 467 852

<u>Water:</u>		
Kilolitres purified	38 880 923	20 438 318
Kilolitres sold	(17 654 246)	(15 780 470)
Kilolitres lost in distribution	21 226 677	4 657 848
Percentage loss in distribution	55%	23%
Cost per Kilolitre	0.0175	0.0175
Total Costs in Rand	371 467	81 512
Anything Greater than 12% transferred to Fruitless Expenditure	289 817	39 344

Electricity losses occur due to *inter alia*, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections. The municipality is currently busy with an audit of bulk meters to find faulty meters and repair them. The problem with tampered meters and illegal connection is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

41. COMMITMENTS FOR EXPENDITURE

41.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-	15 042 900	18 363 189
Infrastructure	13 268 000	17 157 498
Community	-	1 205 691
Other	1 774 900	-
- Approved but Not Yet Contracted for:-	23 253 450	-
Infrastructure	23 253 450	-
Total Capital Commitments	38 296 350	18 363 189
This expenditure will be financed from:		
Government Grants	23 095 450	18 363 189
Own Resources	15 200 900	-
	38 296 350	18 363 189

41.2 Lease Commitments

Finance Lease Liabilities and Non-cancellable Operating Lease Commitments are disclosed in Note 16.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
42. FINANCIAL INSTRUMENTS		
42.1 Classification		
FINANCIAL ASSETS:		
In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows:		
<u>Financial Assets</u>	<u>Classification</u>	
Non-current Investments		
Fixed Deposits	Held to maturity	11 777 283 11 271 249
Long-term Receivables		
Car Loans	Loans and receivables	- -
Trade and other receivables from exchange transactions		
Electricity	Loans and receivables	36 621 839 25 540 967
Refuse	Loans and receivables	9 276 412 9 658 441
Sewerage	Loans and receivables	30 988 025 30 146 552
Water	Loans and receivables	59 411 697 59 508 316
Other Debtors	Loans and receivables	46 635 613 21 925 896
Trade and other receivables from non-exchange transactions		
Assessment Rates	Loans and receivables	29 842 319 32 014 179
Accrued income	Loans and receivables	930 734 922 041
Sundry Debtors	Loans and receivables	2 205 668 1 206 256
Fruitless and Wasteful Expenditure	Loans and receivables	- -
Irregular Expenditure	Loans and receivables	- -
Unauthorised Expenditure	Loans and receivables	- -
Bank, Cash and Cash Equivalents		
Call Deposits	Available for sale	74 665 337 64 164 838
Bank Balances	Available for sale	(2 903 875) -
Cash Floats and Advances	Available for sale	7 293 7 293
Current Portion of Long-term Receivables		
Car Loans	Loans and receivables	5 752 5 934
SUMMARY OF FINANCIAL ASSETS		
Held to maturity:		
Investments	Fixed Deposits	11 777 283 11 271 249
		11 938 760 11 271 249
Loans and Receivables		
Long-term Receivables	Car Loans	- -
Consumer Debtors	Assessment Rates	29 842 319 32 014 179
Consumer Debtors	Electricity	36 621 839 25 540 967
Consumer Debtors	Refuse	9 276 412 9 658 441
Consumer Debtors	Sewerage	30 988 025 30 146 552
Consumer Debtors	Water	59 411 697 59 508 316
Consumer Debtors	Other Debtors	46 635 613 21 925 896
Other Debtors	Accrued income	930 734 922 041
Other Debtors	Sundry Debtors	2 205 668 1 206 256
Other Debtors	Fruitless and Wasteful Expenditure	- -
Other Debtors	Irregular Expenditure	- -
Other Debtors	Unauthorised Expenditure	- -
Current Portion of Long-term Receivables	Car Loans	5 752 5 934
		215 918 059 180 928 582

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

		2011 R	2010 R
Available for Sale:			
Bank Balances and Cash	Bank Balances	(2 903 875)	-
Bank Balances and Cash	Cash Floats and Advances	7 293	7 293
Bank Balances and Cash	Call Deposits	74 665 337	64 164 838
		71 768 754	64 172 131
Total Financial Assets		299 625 573	256 371 962

FINANCIAL LIABILITIES:

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	463 213	1 084 573
Other Loans	Financial liabilities at amortised cost	138 237	494 614
Consumer Deposits			
Electricity and Water	Financial liabilities at fair value through profit and loss	1 985 768	1 914 434
Creditors			
Trade Creditors	Financial liabilities at amortised cost	973 314	421 573
Payments received in Advance	Financial liabilities at amortised cost	-	308 376
Retentions	Financial liabilities at amortised cost	635 730	-
Sundry Deposits	Financial liabilities at amortised cost	1 274 361	697 491
Other Creditors	Financial liabilities at amortised cost	35 367 587	16 574 170
Other payables			
Unspent conditional grants and receipts	Financial liabilities at amortised cost	68 273 826	43 645 851
Bank Overdraft			
Bank Overdraft	Available for Sale	2 903 875	3 903 082
Current Portion of Long-term Liabilities			
Annuity Loans	Financial liabilities at amortised cost	621 360	543 549
Other Loans	Financial liabilities at amortised cost	356 378	359 108

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:

Long-term Liabilities	Annuity Loans	463 213	1 084 573
Long-term Liabilities	Other Loans	138 237	494 614
Consumer Deposits	Electricity and Water	1 985 768	1 914 434
Creditors	Trade Creditors	973 314	421 573
Creditors	Payments received in Advance	-	308 376
Creditors	Retentions	635 730	-
Creditors	Sundry Deposits	1 274 361	697 491
Creditors	Other Creditors	35 367 587	16 574 170
Other payables	Unspent conditional grants and receipts	68 273 826	43 645 851
Bank Overdraft	Bank Overdraft	2 903 875	3 903 082
Current Portion of Long-term Liabilities	Annuity Loans	621 360	543 549
Current Portion of Long-term Liabilities	Other Loans	356 378	359 108
Total Financial Liabilities		112 993 647	69 946 820

42.2 Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value:

Cash and short-term investments

The carrying amount approximates fair value because of the short maturity of those instruments.

Available-for-sale investments

The fair values of some investments are estimated, based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R 2010
R

Loan receivables/payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and, therefore, the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed-interest-rate instruments are fair-valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables/payables

The fair value of trade and other payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The fair value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;

Long-term Liabilities

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

In accordance with IAS 39.09 the Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values on 30 June 2011, as a result of the short-term maturity of these assets and liabilities.

	30 June 2011		30 June 2010	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Held to maturity:				
Fixed Deposits	11 938 760	11 938 760	11 271 249	11 271 249
	11 777 283	11 777 283	11 271 249	11 271 249
Loans and Receivables				
Consumer Debtors	215 918 059	215 918 059	180 928 582	180 928 582
Other Debtors	212 775 906	212 775 906	178 794 350	178 794 350
Current Portion of Long-term Receivables	3 136 402	3 136 402	2 128 298	2 128 298
	5 752	5 752	5 934	5 934
Available for Sale				
Bank Balances and Cash	71 768 754	71 768 754	64 172 131	64 172 131
	71 768 754	71 768 754	64 172 131	64 172 131
Total Financial Assets	299 625 573	299 625 573	256 371 962	256 371 962

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	30 June 2011		2011 R	2010 R
	Carrying Amount R	Fair Value R	30 June 2010 Carrying Amount R	30 June 2010 Fair Value R
FINANCIAL LIABILITIES				
Amortised Cost				
Unsecured Bank Facilities:	3 505 324	3 505 324	5 482 269	5 482 269
- Annuity Loans	463 213	463 213	1 084 573	1 084 573
- Other Loans	138 237	138 237	494 614	494 614
- Bank Overdraft	2 903 875	2 903 875	3 903 082	3 903 082
Trade and Other Payables:	109 488 323	109 488 323	64 464 551	64 464 551
- Consumer Deposits	1 985 768	1 985 768	1 914 434	1 914 434
- Creditors	38 250 992	38 250 992	18 001 608	18 001 608
- Other payables	68 273 826	68 273 826	43 645 851	43 645 851
Current Portion of Long-term Liabilities	977 738	977 738	902 658	902 658
Total Financial Liabilities	112 993 647	112 993 647	69 946 820	69 946 820
Total Financial Instruments	186 631 926	186 631 926	186 425 142	186 425 142
Unrecognised Gain / (Loss)		-		-

At the reporting date there are no significant concentrations of credit risk for Loans and Receivables at Fair Value. The carrying amount reflected above represents the municipality's maximum exposure to credit risk for such loans and receivables.

There were no reclassifications of financial assets during the financial period.

42.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 16, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 23 and the Statement of Changes in Net Assets.

RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

42.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the Municipality's risk management framework. The Municipality's risk management policies are established to identify and analyse the risks faced by the Municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the Municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Further quantitative disclosures are included throughout these financial statements.

42.5 Disclosure of significant risks

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

The Municipality has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

Risks and exposure are disclosed as follows:

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R 2010
R

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit risk is the risk of financial loss to the Municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity risk is the risk that the Municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 19.2 to the annual financial statements.

42.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

42.6.1 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates. The risk is managed by the municipality by maintaining an appropriate mix between fixed and floating rate borrowings, such borrowing being below market related rates.

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instruments at year-end with variable interest rates are set out below.

Effect of a change in interest rate on interest bearing financial assets

<u>Financial Assets</u>	<u>Classification</u>		
<u>External investments:</u>			
Fixed Deposits	Held to maturity	11 777 283	11 271 249
Call Deposits	Available for Sale	74 665 337	64 164 838
Cash Floats and Advances	Available for Sale	7 293	7 293
		86 449 912	75 443 380
<u>Interest received</u>			
Interest Earned - External Investments		4 767 261	5 192 687
Interest rate		6%	7%

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

		2011 R	2010 R
<i>Effect of a change in interest rate on interest earned from external investments:</i>			
Effect of change in interest rate	%	15%	9%
Effect of change in interest rate	Rand value	12 967 487	6 789 904
Effect of change in interest rate	%	17%	11%
Effect of change in interest rate	Rand value	14 696 485	8 298 772
<u>Outstanding debtors:</u>			
Consumer Debtors	Loans and receivables	136 297 973	124 854 276
Sundry Debtors	Loans and receivables	19 167 439	6 626 551
		155 465 412	131 480 827
<i>Interest received</i>			
Interest Earned - Outstanding Debtors		7 787 726	9 107 209
Interest rate		5%	7%
<i>Effect of a change in interest rate on interest earned from outstanding debtors</i>			
Effect of change in interest rate	%	5%	6%
Effect of change in interest rate	Rand value	7 773 271	7 888 850
Effect of change in interest rate	%	7%	8%
Effect of change in interest rate	Rand value	10 882 579	10 518 466
<u>Financial Liabilities</u>	<u>Classification</u>		
Annuity Loans	Not valued at FVTPL	463 213	1 084 573
Annuity Loans - current portion	Not valued at FVTPL	621 360	543 549
Finance leases		494 614	853 722
Bank overdraft		2 903 875	3 903 082
		4 483 062	6 384 927
<i>Interest paid</i>			
Financial liabilities		280 683	269 774
Interest rate %		6%	4%
<i>Effect of a change in interest rate on interest paid on long-term liabilities</i>			
Effect of change in interest rate	%	14%	14%
Effect of change in interest rate	Rand value	627 629	893 890
Effect of change in interest rate	%	16%	16%
Effect of change in interest rate	Rand value	717 290	1 021 588

42.6.2 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

42.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011 2010
R R

Investments/ Cash and Cash Equivalents

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions. The Municipality's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with its investment policy. Consequently, the Entity does not consider there to be any significant exposure to credit risk.

Trade and other receivables

Trade and other receivables are amounts owing by consumers, and are presented net of impairment losses. The Municipality has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness., subsequently the Municipality has no control over the approval of new customers who acquire properties in the designated metro area and consequently incur rates, water and electricity debts.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- through the application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property.
- a new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount.
- through the consolidation of rates and service accounts, thereby disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA.
- through the requirement of a deposit for new service connections, serving as guarantee
- through encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The Municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained.. The Municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The Municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Fixed Deposit Investments	11 777 283	11 271 249
Long-term Receivables	5 752	5 934
Consumer Debtors	182 933 586	146 780 172
Other Debtors	32 978 721	34 142 476
Bank, Cash and Cash Equivalents	74 672 629	64 172 131

Maximum Credit and Interest Risk Exposure

302 367 971 256 371 962

The major concentrations of credit risk that arise from the Municipality's receivables in relation to customer classification are as follows:

Consumer debtors:	
Household	129 603 042
Industrial/Commercial	26 938 876
National and Provincial Government	16 330 894
	<u>172 872 812</u>

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011
R 2010
R

43. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R4 561 230 (2011: R4 386 086) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the fund had a surplus of 0,0 (30 June 2009: R0,0) million, with a funding level of 100,0% (30 June 2009: 100,0%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is less than the recommended contribution rate of 32,06%.

The last valuation performed for the period ended 31 March 2009 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:

- From 1 July 2009 14%
- From 1 July 2010 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

Government Employees Pension Fund (GEPF):

The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2008.

The statutory valuation performed as at 30 June 2008 revealed that the fund had a surplus of R0,0 (30 June 2006: R9 040) million, with a funding level of 100,0% (30 June 2006: 101,7%). The contribution rate paid by the members (7,5%) and the municipalities (16,00%) is sufficient to fund the benefits accruing from the fund in the future.

South African Local Authorities Pension Fund (SALA):

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2010.

The statutory valuation performed as at 1 July 2010 revealed that the fund had a surplus of 307,6 (1 July 2009: R264,2) million, with a funding level of 96% (1 July 2009: 96%). The contribution rate paid by the members (3,73%) and the municipalities (19,18%) is sufficient to fund the benefits accruing from the fund in the future.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

2011	2010
R	R

Local Government Pension Fund:

No details could be provided for the fund and of any valuation performed.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the investment reserve of the fund amounted to R7 311 (30 June 2009: R1 171) million, with a funding level of 102,0% (30 June 2009: 100,3%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the assets of the fund amounted to R8 220 (30 June 2009: R6 860) million, with funding levels of 99,9% and 100,3% (30 June 2009: 100,8% and 131,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The statutory valuation performed as at 30 June 2010 revealed that the net assets of the fund amounted to R1 483,7 million and that the fund was in a sound financial position as at 30 June 2010.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The actuarial valuation of the fund was undertaken at 30 June 2005 and reported a funding ratio of 147,3%.

Municipal Gratuity Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2010.

The valuation performed as at 30 June 2010 revealed that the market value of the fund was R9 774,1 (30 June 2009: R8 248,8) billion. The contribution rate payable is 7,50% by the member and 22,00% by the employer. The fund was certified to be in sound financial condition as at 30 June 2007.

National Fund for Municipal Workers:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2008.

The statutory valuation performed as at 1 July 2008 revealed that the fund had a deficit of R6,3 (1 July 2007: surplus R9,5) million, with a funding level of 99,8% (1 July 2007: 100,3%). The contribution rate paid by the members (2,00% to 7,00%) and the municipalities (2,00% to 7,00%) is sufficient to fund the benefits accruing from the fund in the future, and the actuary was satisfied that the fund will continue to be able meet its liabilities.

South African Municipal Workers Union National Provident Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2005.

The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100,0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

Liberty Life Pension Fund:

No details could be provided for the fund and of any valuation performed.

SANLAM Annuity Fund:

No details could be provided for the fund and of any valuation performed.

SANLAM Retirement Fund:

No details could be provided for the fund and of any valuation performed.

None of the above mentioned plans are State Plans.

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
44. RELATED PARTY TRANSACTIONS		
44.1 Interest of Related Parties		
Councillors and/or management of the municipality had no relationships with businesses during the year under review.		
44.2 Services rendered to Related Parties		
The municipality did not render any services during the year to anyone that can be considered as a related party.		
44.3 Loans granted to Related Parties		
In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004. Loans, together with the conditions thereof, granted prior to this date are disclosed in Note 10 to the Annual Financial Statements.		
44.4 Compensation of Related Parties		
Compensation of Key Management Personnel and Councillors is set out in Notes 27 and 28 respectively, to the Annual Financial Statements.		
44.5 Purchases from Related Parties		
The municipality did not buy goods from any companies which can be considered to be Related Parties.		
45. CONTINGENT LIABILITIES		
Performance Bonusses	303 200	303 200
Court Proceedings	55 711 205	9 709 847
	<u>56 014 405</u>	<u>10 013 047</u>
45.1 Court Proceedings:		
Breach of contract claim by a contractor - the municipality disputes this claim	3 626 194	3 637 669
Liability for damages allegedly resulting from overflowing conservancy tank in Alicedale	300 000	300 000
Liability for damages allegedly caused by powerlines collapsing onto telephone lines	56 000	11 323
Liability for damages allegedly caused by faulty electrical apparatus	24 000	24 000
Liability for damages allegedly caused by accident CM Martin and Municipal employee.	150 000	-
SALA Pension fund - Increases in contributions without consultation with municipality.	300 000	398 473
SALA Pension fund - Claim of non-payment of increased fund premiums.	665 000	-
SALA Pension fund - Claim arose from death of member of pension fund.	200 000	-
Cape Joint Pension Fund - Potential liability due to shortfall on fund.	1 198 414	1 116 382
Prudence Jane Ruck	350 000	350 000
SW Fitzhenry	600 000	600 000
John B Scott Attorney's - Accident through Grahamstown towards N2	200 000	200 000
Divan Bellingham Anglo Africa Street Clinic	70 000	72 000
P. Naidoo	3 000 000	3 000 000
Zingiswa Vivian - Accident due to pot holes on the road	500 000	-
VDZ Construction - Tender awarded to Master Pave CC t/a MG Constrution	27 523 675	-
Give Ziyawa Construction CC - Contract cancellation	16 697 923	-
Accused Traffic Officer was charged with wilful and negligent issue of a learner's licenses	150 000	-
NY Duda - Claim arose when vehicle driven by Ndolo crashed into Plaintiff's house	100 000	-
	<u>55 711 205</u>	<u>9 709 847</u>

MAKANA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2011

	2011 R	2010 R
46. CONTINGENT ASSETS		
<i>Claim on guarantee:</i>	<u>461 700</u>	<u>-</u>
The municipality has a claim outstanding against a contractor whose contract was terminated. A guarantee was issued by First National Bank in favour to the Municipality. The management believe that it is probable that the claim will be successful and that the maximum amount under the guarantee of R461 700 will be recovered.		
47. IN-KIND DONATIONS AND ASSISTANCE		
The municipality did receive In-kind Donations and Assistance during the year under review. The municipality received the following in-kind donations and assistance:		
(i) A Technician and a Project Manager from DBSA for the year.		
48. COMPARISON WITH THE BUDGET		
The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".		
49. PRIVATE PUBLIC PARTNERSHIPS		
The municipality was not a party to any Private Public Partnerships during the financial year 2010/2011.		
50. EVENTS AFTER THE REPORTING DATE		
No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.		
51. COMPARATIVE FIGURES		
The comparative figures were restated as a result of the effect of Changes in Accounting Policies (Note 35) and Prior Period Errors (Note 36).		

**APPENDIX A - Unaudited
MAKANA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Redeemable	Balance at 30 JUNE 2011	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
ANNUITY LOANS						
Annuity Loans	13.50%	2013	1 628 122	-	543 549	1 084 573
Total Annuity Loans			1 628 122	-	543 549	1 084 573
LEASE LIABILITY						
Panasonic - DP1520- Serial-CFP4JZ00766	13.00%	2012	12 404	-	5 538	6 866
Panasonic Studio 120 - Serial-CGD314099	10.50%	2011	2 184	-	2 184	-
Panasonic - DP1520P- Serial-GEP4JZ00752	13.00%	2012	12 404	-	5 538	6 866
Panasonic - DP1820P- Serial-HFP4KP00019	12.00%	2011	10 815	-	7 442	3 373
Panasonic - DP1515 Serial-HFP4WY00036	12.00%	2011	4 809	-	3 309	1 500
Panasonic - DP1515- Serial-HFP4WY00037	12.00%	2011	4 809	-	3 309	1 500
Panasonic - DP1515 - Serial-HFP4WY00038	12.00%	2011	4 809	-	3 309	1 500

**APPENDIX A - Unaudited
MAKANA MUNICIPALITY**

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Panasonic - DP1820E- Serial-JEP4K200234	11.00%	2011	9 606	-	9 606	-
Panasonic - DP180 - Serial-KEE32W00119	10.50%	2011	3 697	-	3 697	-
Panasonic - DP6030 - Serial-LEP4BP00002	10.50%	2011	15 039	-	15 039	-
Siemens addition - 2700001913	14.00%	2013	37 097	-	16 423	20 674
Siemens - 2700001913	13.00%	2012	253 420	-	113 149	140 271
Konica Minolta B350 - 21207399	12.50%	2012	65 146	-	32 051	33 095
Panasonic DP180 - HDU3ZW00084	15.50%	2013	7 286	-	1 867	5 419
Konica Minolta C450 - 215801868	12.50%	2012	79 399	-	39 063	40 336
Konica Minolta 600 - 57BN30741	15.50%	2013	132 965	-	35 221	97 744
Panasonic DP1520P - LDP3VP00797	14.50%	2013	6 744	-	2 150	4 594
Konica Minolta C252 - 225704274	13.00%	2012	63 220	-	28 229	34 991
Konica Minolta 211 - 4111209	15.50%	2013	25 397	-	6 727	18 670
Konica Minolta 211 - 4111248	15.50%	2013	24 875	-	6 814	18 061
Konica Minolta 211 - 4111294	15.50%	2013	24 875	-	6 814	18 061
Panasonic Studio 120 - CGG424499	13.00%	2012	2 713	-	1 269	1 444
Panasonic DP180	12.00%	2014	16 670	-	3 453	13 217
Panasonic DP180	12.00%	2014	16 670	-	3 453	13 217
Panasonic DP180	12.00%	2014	16 670	-	3 453	13 217
Total Lease Liabilities			853 723	-	359 108	494 614
TOTAL EXTERNAL LOANS			2 481 845	-	902 657	1 579 187

APPENDIX B
MAKANA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Historical Cost				Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R
Land and Buildings								
Buildings	409 895 250	228 344	-	410 123 594	12 001 161	12 001 161	24 002 322	386 121 272
Land vacant	441 987 530	-	-	441 987 530	-	-	-	441 987 530
Land with Improvements	117 774 550	-	-	117 774 550	-	-	-	117 774 550
	969 657 330	228 344	-	969 885 674	12 001 161	12 001 161	24 002 322	945 883 352
Infrastructure								
<i>Airports:</i>								
Runways	3 954 500	-	-	3 954 500	206 418	206 418	412 837	3 541 664
<i>Electricity:</i>								
High Voltage	39 200 628	-	-	39 200 628	1 487 046	1 487 046	2 974 093	36 226 536
Medium Voltage	85 967 401	693 619	5 006 541	91 667 561	3 354 508	3 402 895	6 757 403	84 910 158
Low Voltage	14 165 233	-	-	14 165 233	844 834	849 534	1 694 368	12 470 865
High Mast Lights	-	3 053 336	-	3 053 336	-	-	-	3 053 336
<i>Pedestrian Malls:</i>								
Kerbing	13 282 250	125 600	-	13 407 850	1 430 258	1 447 504	2 877 762	10 530 088
<i>Roads:</i>								
Sidewalks	-	20 105 186	-	20 105 186	-	232 449	232 449	19 872 737
Overhead Bridges	463 750	-	-	463 750	6 102	6 102	12 204	451 546
Roads: Gravel	-	-	-	-	-	-	-	-
Roads: Other	172 096 150	500 669	9 226 334	181 823 153	9 013 350	9 170 992	18 184 343	163 638 810
Roads: Tarred	-	-	-	-	-	-	-	-
Stormwater	7 556 010	68 500	-	7 624 510	510 659	521 804	1 032 463	6 592 047
Stormwater Drains	-	-	-	-	-	-	-	-
Street Lighting	10 849 542	2 800 340	1 358 287	15 008 169	690 250	759 391	1 449 641	13 558 528
Streetname Signs	449 743	-	-	449 743	53 946	54 177	108 123	341 620
<i>Sanitation:</i>								
Tip Sites	1 778 562	94 676	-	1 873 238	23 180	23 180	46 361	1 826 877
<i>Security Measures:</i>								
Fencing	-	18 687	-	18 687	-	2 492	2 492	16 195
<i>Sewerage:</i>								
Purification Works	28 775 355	-	10 134 058	38 909 412	1 981 061	1 981 061	3 962 121	34 947 291
<i>Water:</i>								
Pumping Stations	3 358 643	226 984	-	3 585 626	318 530	318 530	637 060	2 948 566
Purification Plant	11 377 392	293 461	-	11 670 853	710 085	757 348	1 467 433	10 203 420
Reservoirs and Tanks	33 730 361	-	-	33 730 361	1 957 943	1 957 943	3 915 886	29 814 474
Supply and Reticulation	73 690 180	3 338 965	1 839 512	78 868 657	3 852 540	3 974 075	7 826 615	71 042 041
	500 695 701	31 320 022	27 564 731	559 580 453	26 440 711	27 152 942	53 593 653	505 986 801

APPENDIX B
MAKANA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

Description	Historical Cost				Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R
Community Assets								
Parks	4 778 088	416 489	4 636 967	9 831 544	207 513	208 609	416 122	9 415 422
Recreation Centres	27 709 090	193 310	-	27 902 401	1 212 498	1 212 498	2 424 996	25 477 404
Cemeteries	13 310 477	5 000	-	13 315 477	452 452	502 870	955 323	12 360 154
Community Centres	6 739 557	-	-	6 739 557	44 684	134 791	179 475	6 560 081
Club House	-	1 172 680	-	1 172 680	-	12 273	12 273	1 160 407
	52 537 212	1 787 479	4 636 967	58 961 658	1 917 147	2 071 042	3 988 189	54 973 468
Leased Assets								
	2 026 301	-	-	2 026 301	1 283 082	692 855	1 975 938	50 363
	2 026 301	-	-	2 026 301	1 283 082	692 855	1 975 938	50 363
Other Assets								
<i>Furniture and Fittings:</i>								
Cabinets and Cupboards	2 089 792	396 873	-	2 486 665	901 889	278 631	1 180 520	1 306 146
Other Furniture	815 349	324 329	-	1 139 678	281 358	242 223	523 581	616 097
<i>Motor Vehicles:</i>								
Motor Vehicles	10 407 663	623 196	-	11 030 859	6 205 458	1 629 936	7 835 394	3 195 464
Specialised Vehicles	5 345 418	-	-	5 345 418	1 272 492	321 890	1 594 381	3 751 037
<i>Office Equipment:</i>								
Computer Hardware	1 331 851	526 242	-	1 858 093	801 320	353 927	1 155 247	702 846
<i>Plant and Equipment:</i>								
Plant and Equipment:	2 709 088	3 036 607	-	5 745 695	858 390	1 382 047	2 240 436	3 505 258
	22 699 161	4 907 248	-	27 606 408	10 320 906	4 208 654	14 529 560	13 076 848
Total	1 547 615 704	38 243 092	32 201 698	1 618 060 494	51 963 008	46 126 654	98 089 661	1 519 970 833
Intangible Assets								
Computer Software	-	61 765	-	61 765	-	2 246	2 246	59 519
	-	61 765	-	61 765	-	2 246	2 246	59 519
Total Fixed Asset Register	1 547 615 704	38 304 857	32 201 698	1 618 122 258	51 963 008	46 128 900	98 091 907	1 520 030 351

APPENDIX B
MAKANA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Historical Cost				Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R
Land and Buildings								
Buildings	409 895 250	-	-	409 895 250	-	12 001 161	12 001 161	397 894 089
Land vacant	441 987 530	-	-	441 987 530	-	-	-	441 987 530
Land with Improvements	117 774 550	-	-	117 774 550	-	-	-	117 774 550
	969 657 330	-	-	969 657 330	-	12 001 161	12 001 161	957 656 169
Infrastructure								
<i>Airports:</i>								
Runways	3 954 500	-	-	3 954 500	-	206 418	206 418	3 748 082
<i>Electricity:</i>								
High Voltage	39 200 628	-	-	39 200 628	-	1 487 046	1 487 046	37 713 582
Medium Voltage	68 967 871	2 396 008	14 603 521	85 967 401	-	3 354 508	3 354 508	82 612 893
Low Voltage	13 930 212	235 021	-	14 165 233	-	844 834	844 834	13 320 399
<i>Pedestrian Malls:</i>								
Kerbing	11 182 777	2 099 474	-	13 282 250	-	1 430 258	1 430 258	11 851 992
<i>Roads:</i>								
Overhead Bridges	463 750	-	-	463 750	-	6 102	6 102	457 648
Roads: Gravel	-	-	-	-	-	-	-	-
Roads: Other	144 696 991	12 153 771	15 245 388	172 096 150	-	9 013 350	9 013 350	163 082 800
Stormwater	6 826 818	729 192	-	7 556 010	-	510 659	510 659	7 045 351
Street Lighting	5 300 263	760 527	4 788 752	10 849 542	-	690 250	690 250	10 159 292
Streetname Signs	443 264	6 479	-	449 743	-	53 946	53 946	395 798
<i>Sanitation:</i>								
Tip Sites	616 853	1 161 709	-	1 778 562	-	23 180	23 180	1 755 381
<i>Sewerage:</i>								
Purification Works	22 536 012	-	6 239 343	28 775 355	-	1 981 061	1 981 061	26 794 294
<i>Water:</i>								
Pumping Stations	3 358 643	-	-	3 358 643	-	318 530	318 530	3 040 113
Purification Plant	10 668 453	708 940	-	11 377 392	-	710 085	710 085	10 667 307
Reservoirs and Tanks	33 730 361	-	-	33 730 361	-	1 957 943	1 957 943	31 772 417
Supply and Reticulation	70 715 569	4 146 447	(1 171 836)	73 690 180	-	3 852 540	3 852 540	69 837 640
	436 592 965	24 397 568	39 705 168	500 695 701	-	26 440 711	26 440 711	474 254 990
Community Assets								
Parks	4 564 917	90 332	122 839	4 778 088	-	207 513	207 513	4 570 575
Sport Grounds	27 709 090	-	-	27 709 090	-	1 212 498	1 212 498	26 496 592
Cemeteries	11 905 918	1 404 558	-	13 310 477	-	452 452	452 452	12 858 024
Community Centres	-	6 739 557	-	6 739 557	-	44 684	44 684	6 694 872
	44 179 926	8 234 447	122 839	52 537 212	-	1 917 147	1 917 147	50 620 064

APPENDIX B
MAKANA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Historical Cost				Accumulated Depreciation			Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R
Leased Assets	1 967 096	59 205	-	2 026 301	930 791	352 291	1 283 082	743 219
	1 967 096	59 205	-	2 026 301	930 791	352 291	1 283 082	743 219
Other Assets								
<i>Furniture and Fittings:</i>								
Cabinets and Cupboards	1 258 757	831 035	-	2 089 792	737 064	164 825	901 889	1 187 903
Other Furniture	251 020	564 329	-	815 349	181 169	100 189	281 358	533 991
<i>Motor Vehicles:</i>								
Motor Vehicles	8 556 164	1 851 498	-	10 407 663	4 775 757	1 429 702	6 205 458	4 202 204
Specialised Vehicles	5 327 030	18 388	-	5 345 418	914 265	358 227	1 272 492	4 072 927
<i>Office Equipment:</i>								
Computer Hardware	996 733	335 118	-	1 331 851	662 649	138 671	801 320	530 531
<i>Plant and Equipment:</i>								
Plant and Equipment:	864 072	1 845 016	-	2 709 088	587 590	270 800	858 390	1 850 698
	17 253 777	5 445 384	-	22 699 161	7 858 493	2 462 413	10 320 906	12 378 254
Total	1 469 651 093	38 136 604	39 828 006	1 547 615 704	8 789 284	43 173 723	51 963 008	1 495 652 696
Intangible Assets								
Computer Software	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total Fixed Asset Register	1 469 651 093	38 136 604	39 828 006	1 547 615 704	8 789 284	43 173 723	51 963 008	1 495 652 696

APPENDIX C
MAKANA MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2011

Description	Cost / Revaluation				Accumulated Depreciation			Accumulated Depreciation / Impairment			Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	1 447 122	195 903	-	1 643 025	687 598	337 264	1 024 862	687 598	337 264	1 024 862	618 162
Finance and Administration	3 926 321	412 350	-	4 338 672	1 865 084	951 018	2 816 102	1 865 084	951 018	2 816 102	1 522 570
Planning and Development	976 572 813	1 539 677	-	978 112 490	12 195 213	12 223 632	24 418 845	12 195 213	12 223 632	24 418 845	953 693 644
Health	2 141 079	254 356	-	2 395 435	1 601 995	388 139	1 990 134	1 601 995	388 139	1 990 134	405 301
Community and Social Services	5 397 249	568 574	-	5 965 823	856 168	594 771	1 450 939	856 168	594 771	1 450 939	4 514 884
Public Safety	5 436 508	494 169	-	5 930 677	3 034 560	626 264	3 660 824	3 034 560	626 264	3 660 824	2 269 853
Sport and Recreation	48 111 421	939 270	4 636 967	53 687 658	2 422 425	2 267 835	4 690 260	2 422 425	2 267 835	4 690 260	48 997 398
Waste Management	84 894 547	4 218 350	10 134 058	99 246 955	3 937 543	4 066 025	8 003 568	3 937 543	4 066 025	8 003 568	91 243 387
Roads and Transport	208 473 770	27 226 238	10 584 620	246 284 628	13 421 356	12 685 866	26 107 222	13 421 356	12 685 866	26 107 222	220 177 406
Water	70 123 619	1 660 244	2 177 909	73 961 772	5 641 974	6 061 133	11 703 107	5 641 974	6 061 133	11 703 107	62 258 666
Electricity	141 091 255	795 726	4 668 144	146 555 124	6 299 091	5 926 953	12 226 045	6 299 091	5 926 953	12 226 045	134 329 080
Total	1 547 615 704	38 304 857	32 201 698	1 618 122 258	51 963 008	46 128 900	98 091 907	51 963 008	46 128 900	98 091 907	1 520 030 351

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 June 2010

Description	Cost / Revaluation				Accumulated Depreciation			Accumulated Depreciation / Impairment			Carrying Value
	Opening Balance	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Closing Balance	Opening Balance	Additions	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Executive and Council	1 199 609	247 513	-	1 447 122	437 972	249 626	687 598	437 972	249 626	687 598	759 523
Finance and Administration	2 842 322	1 083 999	-	3 926 321	1 345 313	519 771	1 865 084	1 345 313	519 771	1 865 084	2 061 237
Planning and Development	969 833 256	6 739 557	-	976 572 813	129 240	12 065 973	12 195 213	129 240	12 065 973	12 195 213	964 377 600
Health	2 124 325	16 755	-	2 141 079	1 312 008	289 987	1 601 995	1 312 008	289 987	1 601 995	539 084
Community and Social Services	4 691 293	705 956	-	5 397 249	461 268	394 901	856 168	461 268	394 901	856 168	4 541 081
Public Safety	4 363 542	1 072 966	-	5 436 508	2 540 174	494 386	3 034 560	2 540 174	494 386	3 034 560	2 401 948
Sport and Recreation	45 642 526	2 346 056	122 839	48 111 421	328 055	2 094 370	2 422 425	328 055	2 094 370	2 422 425	45 688 996
Waste Management	74 174 674	4 480 531	6 239 343	84 894 547	258 071	3 679 472	3 937 543	258 071	3 679 472	3 937 543	80 957 004
Roads and Transport	172 450 835	15 988 795	20 034 140	208 473 770	1 312 025	12 109 331	13 421 356	1 312 025	12 109 331	13 421 356	195 052 413
Water	68 637 522	2 657 932	(1 171 836)	70 123 619	208 000	5 433 974	5 641 974	208 000	5 433 974	5 641 974	64 481 645
Electricity	123 691 189	2 796 545	14 603 521	141 091 255	457 158	5 841 933	6 299 091	457 158	5 841 933	6 299 091	134 792 164
Total	1 469 651 093	38 136 604	39 828 006	1 547 615 704	8 789 284	43 173 723	51 963 008	8 789 284	43 173 723	51 963 008	1 495 652 696

APPENDIX E(1)
MAKANA MUNICIPALITY
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 June 2011

Description	2010/2011 Actual	2010/2011 Budget	2010/2011 Variance	2010/2011 Variance	Explanation of Significant Variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	31 208 875	33 632 250	(2 423 375)	(7.77)	
Property Rates - Penalties imposed and collection charges	-	-	-		
Service Charges	115 581 558	115 753 730	(172 172)	(0.15)	
Rental of Facilities and Equipment	1 153 261	1 036 830	116 431	10.10	Halls and equipment were used more than anticipated
Interest Earned - External investments	4 767 261	7 500 000	(2 732 739)	(57.32)	Over budgeted
Interest Earned - Outstanding debtors	7 787 726	8 000 000	(212 274)	(2.73)	
Fines	1 144 351	712 750	431 601	37.72	More fines were received than anticipated
Licences and Permits	2 583 655	2 073 790	509 865	19.73	More licence and permits fees were received than anticipated
Income for Agency Services	942 661	700 000	242 661	25.74	More agency fees were received than anticipated
Government Grants and Subsidies	88 425 417	86 229 260	2 196 157	2.48	
Other Income	1 237 557	1 078 420	159 137	12.86	More income were received than anticipated
Profit on Sale of Land	107 000	-	107 000	100.00	No provision were made for this income
Total Revenue	254 939 322	256 717 030	(1 777 708)	(0.69)	
EXPENDITURE					
Employee Related Costs	100 068 342	88 191 636	11 876 706	11.87	Higher salary increase than anticipated
Remuneration of Councillors	6 210 055	6 966 490	(756 435)	(12.18)	Not as high salary increase as anticipated
Debt impairment	22 598 390	21 967 200	631 190	2.79	
Depreciation	46 128 900	5 361 780	40 767 120	88.38	Unbundling of assets
Repairs and Maintenance	16 593 605	16 117 869	475 736	2.87	
Interest Paid	280 683	-	280 683	100.00	No provision were made for this expense
Bulk Purchases	49 891 965	48 321 890	1 570 075	3.15	
Contracted Services	2 320 756	3 364 171	(1 043 415)	(44.96)	No payments were made to the OD in respect of this financial year
Grants and Subsidies Paid	1 449 664	1 464 200	(14 536)	(1.00)	
General Expenses	42 621 568	64 961 794	(22 340 226)	(52.42)	Savings on various line items
Total Expenditure	288 163 928	256 717 030	31 446 898	12.25	
Deficit from discontinued operations	(658 374)	-	(658 374)	100.00	No provision were made for this expense
NET SURPLUS / (DEFICIT) FOR THE YEAR	(33 882 981)	-	(33 882 981)	-	

**APPENDIX D - Unaudited
MAKANA MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance	Correction	Restated	Contributions	Interest	Transfers	Operating	Capital	Balance	Unspent	Unpaid	Unspent	Unpaid
	1 JULY 2010	of error	balance 01-Jul-10	during the year and other income	on investment		Expenditure during the year Transferred to Revenue	Expenditure during the year Transferred to Revenue	30 June 2011	30 JUNE 2011 (Creditor)	30 JUNE 2011 (Debtor)	30 JUNE 2010 (Creditor)	30 JUNE 2010 (Debtor)
	R	R	R	R	R		R	R	R	R	R	R	R
UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS													
Municipal Infrastructure Grant (MIG)	34 952 785	(906 399)	34 046 386	55 184 775	-	7 604 944	665 226	36 607 808	59 563 071	59 563 071	-	34 046 386	-
Mayfield transit camp	291 535		291 535	-	-				291 535	291 535		291 535	-
Victoria rd - 102 sites	178		178	-	49				227	227		178	-
Mayfield phase 2 planning	401 160		401 160	-	-				401 160	401 160		401 160	-
Vukani Housing Project (PHB)	(44 519)		(44 519)	-	-				(44 519)	(44 519)		(44 519)	(44 519)
Tantyi Housing Project	(33 028)		(33 028)	-	-				(33 028)	(33 028)		(33 028)	(33 028)
Newtown Housing Project	(7 753)		(7 753)	-	-				(7 753)	(7 753)		(7 753)	(7 753)
Victoria RD Housing Project	(42 102)		(42 102)	-	-				(42 102)	(42 102)		(42 102)	(42 102)
Farmersfield - Roads	(110 346)		(110 346)	-	-	110 346			-	-		-	(110 346)
Farmersfield - Water	(76 683)		(76 683)	-	-	76 683			(0)	(0)		-	(76 683)
Farmersfield Survey	(84 440)		(84 440)	-	-				(84 440)	(84 440)		-	(84 440)
Housing Projects (Housing Board)	4 511 390		4 511 390	-	55 082				4 566 472	4 566 472		4 511 390	-
Municipal systems improvement grant	(16 858)	16 858	0	-	-				0	0		-	0
MSIG (Corporate Governance)	205 000	(16 858)	188 142	-	-	188 142			(0)	(0)		188 142	-
Valuation (General)	536 855		536 855	-	-				536 855	536 855		536 855	-
Department of Sport	2 438		2 438	-	-				2 438	2 438		2 438	-
Transitional Grant	535		535	-	-				535	535		535	-
Christmas cheer	2 062		2 062	-	-				2 062	2 062		2 062	-
Columbarium	4 957		4 957	-	-		3 630		1 327	1 327		4 957	-
National peace arboretum	103 631		103 631	-	-				103 631	103 631		103 631	-
Integrated development plan	314 487		314 487	157 000	-	157 000	270 069		44 418	44 418		314 487	-
Water: Fort Brown (Rural Areas)	157 671		157 671	-	-				157 671	157 671		157 671	-
I.T. and data cleansing	17 467		17 467	-	-				17 467	17 467		17 467	-
Grahamstown Football Association	314 000		314 000	-	-				314 000	314 000		314 000	-
Ikwezi project	27 039		27 039	-	-				27 039	27 039		27 039	-
Vuna Awards	108 933		108 933	-	-				108 933	108 933		108 933	-
Vukani greenbelt project (State Lottery)	170 800		170 800	-	-				170 800	170 800		170 800	-
Fort Brown - Agri-village	550 000		550 000	-	-				550 000	550 000		550 000	-
Umsobomvu Youth Fund	15 391		15 391	-	-		4 320		11 071	11 071		15 391	-
Black rugby trust	8		8	-	-				8	8		8	-
Makana small-scale mines	100 000		100 000	-	-				100 000	100 000		100 000	-
LED capacity building	(89 263)		(89 263)	-	-	83 564			(5 699)	(5 699)		-	(89 263)
IEC Infrastructure	14 317		14 317	-	-				14 317	14 317		14 317	-
Investment Incentive Policy	152 250		152 250	-	-		91 605		60 645	60 645		152 250	-
Tourism SMME Development	150 000		150 000	-	-		37 500		112 500	112 500		150 000	-
Department of Water and Forestry	500 000		500 000	-	-				500 000	500 000		500 000	-
Upgrading Libraries - CDM	(137 812)		(137 812)	-	-	(137 812)			-	-		-	(137 812)
Health development forum	39 073		39 073	-	-		22 242		16 831	16 831		39 073	-
SETA	-		-	-	-				-	-		-	-
OTHER	-		-	-	-				-	-		-	-
Trust funds	893 454		893 454	-	-		294 640		598 814	598 814		893 454	-
FMG	-		-	1 200 000	-		1 200 000		-	-		-	-
Total	43 894 610	(906 399)	42 988 211	56 541 775	55 131	8 082 867	2 589 232	36 607 808	68 056 284	68 273 825	(217 541)	43 614 157	(625 946)