

POLOKWANE LOCAL MUNICIPALITY



**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2008**

INDEX

CONTENTS	Page
APPROVAL AND CERTIFICATION	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF FINANCIAL PERFORMANCE	3
STATEMENT OF CHANGES IN NET ASSETS	4
CASH FLOW STATEMENT	5
NOTES TO THE ANNUAL FINANCIAL STATEMENTS	6
APPENDICES	
A SCHEDULE OF INTEREST BEARING BORROWINGS	32
B ANALYSIS OF PROPERTY PLANT AND EQUIPMENT	33
C SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT	34
D SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE	35
E(1) ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)	38
E(2) ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)	39
F DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF MFMA	40

APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 40, 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 24 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.

**ADV L THUBAKGALE
MUNICIPAL MANAGER**

DATE

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

	Note	2008 R	2007 R
NET ASSETS & LIABILITIES			
Net Assets		2 120 198 778	1 491 273 820
Housing development fund	2	10 808 221	10 736 726
Reserves	3	1 435 572 643	881 470 899
Capital replacement reserve		337 148 802	240 674 578
Capitalisation reserve		219 378 628	252 935 343
Government grant reserve		837 133 218	354 434 964
Donations and public contribution reserve		29 118 511	24 959 856
Self-insurance reserve		12 793 484	8 466 158
Accumulated surplus/(deficit)		673 817 914	599 066 195
Non-current liabilities			
Long term liabilities	4	93 322 841	93 322 841
Current liabilities		514 843 721	277 235 652
Consumer deposits	5	39 182 983	34 513 346
Trade and other payables	6	101 292 352	78 251 869
Unspent conditional grants and receipts	7	374 368 386	161 189 694
Provisions	8	-	3 243 410
Current portion of long term liabilities	4	-	37 333
Total Net Assets and Liabilities		<u>2 728 365 340</u>	<u>1 861 832 313</u>
ASSETS			
Non-current assets		1 819 852 507	1 258 904 633
Property, plant & equipment	9	1 733 886 438	1 193 203 184
Investments	10	70 572 653	60 382 957
Non-current receivables	11	15 393 416	5 318 492
Current assets		908 512 833	602 927 680
Inventory	12	56 381 809	30 894 526
Short-term investments	10	320 507 554	270 000 000
Consumer debtors	13	126 718 344	103 385 042
Other receivables	14	24 109 835	5 760 137
VAT	15	36 777 151	14 198 798
Current portion of long-term receivables	11	11 431 779	11 258 391
Cash and cash equivalents	16	332 586 361	167 430 786
Total Assets		<u>2 728 365 340</u>	<u>1 861 832 313</u>

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
REVENUE			
Property rates	17	143 534 876	129 144 724
Service charges	18	355 610 727	348 136 925
Rental of facilities and equipment		4 413 851	4 352 368
Investment Revenue – external investments	21	56 379 484	45 121 719
Interest earned – outstanding debtors		13 838 508	10 264 593
Fines		2 776 067	
Licenses and permits		5 125 526	
Income for agency services		9 975 171	3 760 416
Government grants and subsidies received - operating	19	192 923 655	146 110 597
Government grants and subsidies received - capital	19	497 543 021	222 902 407
Public contributions, donated and contributed property, plant and equipment	20	-	20 119 686
Other revenue	22	49 370 649	47 414 503
Total Revenue		<u>1 331 491 537</u>	<u>977 327 938</u>
EXPENDITURE			
Employee related costs	23	239 111 789	197 483 145
Remuneration of councillors	24	13 668 409	10 166 731
Bad debts		20 000 000	15 000 000
Collection costs		2 387 708	1 401 097
Depreciation		79 925 025	4 411 010
Repairs and maintenance		65 986 492	67 061 505
Finance cost	25	14 554 690	14 847 748
Bulk purchases	26	190 264 535	158 176 411
Grants and subsidies paid	27	2 003 553	-
General expenses	28	93 611 041	119 375 206
Total Expenditure		<u>721 513 242</u>	<u>587 922 853</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>609 978 295</u>	<u>389 405 085</u>

POLOKWANE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donation & Public Contribution Reserve	Self Insurance Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R	R
2007								
Gamap Grap implementation							(62 697 899)	(62 697 899)
Restated balance	10 630 391	334 023 249	276 235 422	159 248 985	5 034 641	9 261 618	335 158 927	1 129 593 233
Net surplus for the year							389 405 086	389 405 086
Previous years adjustments							(18 961 280)	(18 961 280)
Inventory adjustment							(8 763 219)	(8 763 219)
Transfer to CRR		4 995 290					(4 995 290)	-
Property, plant and equipment purchased		(98 343 961)					98 343 961	-
Capital grants used to purchase PPE				230 835 780			(230 835 780)	-
Donated/contributed PPE					21 214 105		(21 214 105)	-
Contributions to insurance reserve						(795 460)	795 460	-
Transfer to Housing Development Fund	106 335						(106 335)	-
Asset disposals							-	-
Offsetting of depreciation			(23 300 079)	(35 649 801)	(1 288 890)		60 238 770	-
Balance at 30 June 2007	10 736 726	240 674 578	252 935 343	354 434 964	24 959 856	8 466 158	599 066 195	1 491 273 820
2008								
Correction of error (note 29)				(4 689 084)			19 308 421	14 619 337
Restated balance	10 736 726	240 674 578	252 935 343	349 745 880	24 959 856	8 466 158	618 374 616	1 505 893 157
Net surplus for the year							609 978 295	609 978 295
Transfer to CRR		208 198 934					(208 198 934)	-
Property, plant and equipment purchased		(111 724 710)					111 724 710	-
Capital grants used to purchase PPE				517 207 019			(517 207 019)	-
Donated/contributed PPE					5 177 292		(5 177 292)	-
Contributions to insurance reserve						4 327 326	-	4 327 326
Insurance claims processed							-	-
Transfer to Housing Development Fund	71 495						(71 495)	-
Offsetting of depreciation			(33 556 715)	(29 819 681)	(1 018 637)		64 395 033	-
Balance at 30 June 2008	10 808 221	337 148 802	219 378 628	837 133 218	29 118 511	12 793 484	673 817 914	2 120 198 778

POLOKWANE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from ratepayers, government and others		2 229 864 390	1 272 720 191
Cash paid to suppliers and employees		<u>(1406 111 330)</u>	<u>(855 460 368)</u>
Cash generated from / (utilized in) operations	30	823 753 060	417 259 823
Interest received		56 379 484	45 121 719
Interest paid		(14 554 690)	(14 847 747)
Net cash from operating activities		<u>865 577 854</u>	<u>447 533 795</u>
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(634 109 021)	(350 393 846)
Proceeds on disposal of property, plant and equipment			
(Increase)/decrease in non-current receivables		(10 248 312)	8 095 148
(Increase)/decrease in non-current investments		(10 189 696)	
(Increase)/decrease in current investments		(50 507 554)	67 852 653
Net cash from investment activities		<u>(705 054 583)</u>	<u>(274 446 045)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(37 333)	(259 243)
Increase/(decrease) in deposits		4 669 637	3 848 514
Net cash from financing activities		<u>4 632 304</u>	<u>3 589 271</u>
Increase/(decrease) in cash and cash equivalents		<u>165 155 575</u>	<u>176 677 021</u>
Cash and cash equivalents at beginning of the year		(167 430 786)	(9 246 235)
Cash and cash equivalents at end of the year		332 586 361	(167 430 786)

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

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

These standards are summarised as follows:

- GRAP 1: Presentation of financial statements.
- GRAP 2: Cash flow statements.
- GRAP 3: Accounting policies, changes in accounting estimates and errors.
- GAMAP 4: Effects of changes in foreign exchange rates.
- GAMAP 6: Consolidated financial statements and accounting for controlled entities.
- GAMAP 9: Revenue.
- GAMAP 7: Accounting for investments in associates.
- GAMAP 8: Financial reporting of interests in joint ventures.
- GAMAP 12: Inventories.
- GAMAP 17: Property, plant and equipment.
- GAMAP 19: Provisions, contingent liabilities and contingent assets.

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards related to the municipality's separate financial statements.

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

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

These accounting policies are consistent with those of the previous financial year.

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

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

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

1.3 GOING CONCERN ASSUMPTION

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

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.4 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund.

Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

Proceeds from housing development fund schemes which include instalment sale of houses is recognised as revenue in the statement of financial performance and a corresponding transfer is made to the Fund.

Expenditure allowed in terms of the Housing Act is expensed in the Statement of Financial Performance and a corresponding transfer is made from the Fund.

1.5 RESERVES

1.5.1 Capital Replacement Reserve (CRR)

The purpose of the CRR is to set aside cash to provide infrastructure and other items of property, plant and equipment from internal sources.

The cash is transferred to a designated CRR account and can only be used to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

1.5.2 Capitalisation Reserve

The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from the Capitalisation Reserve to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.5.3 Government Grant Reserve

When items of property, plant and equipment are purchased from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit).

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation expenses that will be incurred over the estimated useful lives of the items of property, plant and equipment funded from government grants.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.5 RESERVES (CONT)

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grants Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

The purpose of this reserve is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from donations and public contributions is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.5.5 Self-Insurance Reserve

A Self-Insurance Reserve has been established and, subject to external insurance where, deemed necessary, covers claims that may occur.

Premiums are charged to the respective services taking into account claims history and replacement value of the insured assets.

The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception. These surpluses arose from the differences between premiums charged against claims paid and various administrative expenditure incurred.

The balance of the Self-Insurance Reserve is fully cash backed and invested.

1.6 PROPERTY, PLANT & EQUIPMENT

An item of property, plant and equipment which qualifies for recognition as an asset shall initially be measured at cost. Property, plant and equipment is stated at historical cost, less accumulated depreciation and impairment losses. Such assets are financed either by external loans, capital replacement reserve, government grants and contributions and donations.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.6 PROPERTY, PLANT & EQUIPMENT (CONT)

Any trade discounts and rebates are deducted in arriving at the purchase price.

Directly attributable costs include the following:

- Cost of site preparation.
- Initial delivery and handling costs.
- Installation cost.
- Professional fees.
- Estimated cost of dismantling the asset.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Where an item of property, plant and equipment is acquired at no cost, it is initially recognised at its fair value as at the date of acquisition.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is commissioned into use.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Residual value

The residual value of an asset is determined as the estimate amount that could currently be obtained from the disposal of the asset. The residual values of assets are reviewed at each financial year end.

Depreciation

Depreciation is calculated at historical cost, using the straight-line method over the useful lives of the asset. Assets will be depreciated according to their annual depreciation rates based on the following estimated asset lives:

<u>Infrastructure Assets</u>	<u>Years</u>
Roads, pavements, bridges and storm water	30
Street names, signs and parking meters	5
Water reservoirs and reticulation	15–20
Electricity reticulation	20–30
Sewerage purification and reticulation	15–20
Housing	30
Refuse sites	15
<u>Community Assets</u>	<u>Years</u>
Parks and gardens	10–30
Sport fields	20-30
Community halls	30
Libraries	30
Recreation facilities	20-30
Clinics	30
Fire services	30
Cemeteries	30

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.6 PROPERTY, PLANT & EQUIPMENT (CONT)

<u>Other Assets</u>	<u>Years</u>
Motor vehicles	5
Plant and equipment	2-15
Security measures	3-10
Buildings	30
IT equipment	3-5
Office equipment	3-7
Specialised vehicles	10

Land is not depreciated as it is regarded as having an infinite life.

The useful life or depreciation method for items of property, plant and equipment that have been recognised was not reviewed as permitted in terms of Gazette 30013 of 29 June 2007.

Impairment

The testing for and impairing of any items of property, plant and equipment were not accounted for as permitted in terms of Gazette 30013 of 29 June 2007

Heritage assets

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

Disposal of property, plant and equipment

- The book values of assets are written off on disposal.
- The difference between the net book value of assets (cost less accumulated depreciation) and proceeds is reflected as a gain or loss in the Statement of Financial Performance.

1.7 FINANCIAL INSTRUMENTS

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables. Financial instruments are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities in excess of 12 months. These are classified as

Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.7 FINANCIAL INSTRUMENTS (CONT)

Accounts receivable

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments of all debt outstanding for more than 150 days are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

When an under recovery occurs during the year an additional contribution for impairment is made from the accumulated surplus at year end.

Bad debts are written off during the year in which they are identified as irrecoverable.

Financial liabilities

Financial liabilities are recognised initially at cost which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

Gains and losses

Gains and losses arising from changes in financial assets or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

Investments held-to-maturity

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

Investments which include listed government bonds, unlisted municipal bonds, fixed deposits and short term deposits invested in registered banks are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

Surplus funds are invested in terms of Council's Investment Policy. Investments are only made with financial institutions registered in terms of the Deposit Taking Institutions Act of 1990 with an A1 or similar rating institution for safe investment purposes.

The investment period should be such that it will not be necessary to borrow funds against the investments at a penalty interest rate to meet commitments.

Leases

Property, plant and equipment subjected to finance lease agreements are capitalised at their cost equivalent and the corresponding liabilities are raised.

The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life.

Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

Operating lease payments or receipts are recognised on the basis of the actual cash inflows and outflows as per the lease contract as permitted in terms of Gazette 30013 of 29 June 2007.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.11 INVENTORY

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

Consumable stores, raw materials, work in progress, unused water, and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities.

Redundant and slow-moving stock are identified and written down with regard to their estimated economic or realisable values and sold by public auction. Consumables are written down with regard to age, condition and utility.

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

The process to identify immovable capital assets as inventory/stock are not finalised yet and were accounted for in terms of GAMAP 17 as permitted in terms of Gazette 30013 of 29 June 2007.

1.12 TRADE CREDITORS

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade creditors are recognised initially at cost price as permitted in terms of Gazette 30013 of 29 June 2007.

1.13 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. No settlement discount is applicable.

Rendering of service

When the outcome of a transaction can be estimated reliably relating to the rendering of a service, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of the transaction can be measured reliably when all of the following conditions are

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or services potential associated with the transaction will entity;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The cost incurred for the transaction and the cost to complete the transaction can be measured

This principle also applies to tariffs or charges.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses that are recoverable.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.13 REVENUE RECOGNITION (CONT)

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of
- The municipality retains neither continuing managerial involvement to the degree associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The cost incurred or to be incurred in respect of the transaction can be measured reliably.

1.13 REVENUE RECOGNITION (CONT)

Finance income from sold housing by way of instalment sales agreements is recognised on a time proportion basis.

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

Rates, including collection charges and penalty interest

Revenue from rates including collection charges and penalty interest, shall be recognised when all the following conditions have been satisfied:

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

The Municipality uses a differentiated site value assessment rate system. According to this assessment rates are levied on the land value of properties and rebates are granted according to the usage of a particular property.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income .

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

Service charges

Flat rate service charges and consumption-based service charges shall be recognised when:

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

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

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

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

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.13 REVENUE RECOGNITION (CONT)

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

Fines

Revenue from the issuing of fines is recognised when:

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

Revenue from fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected.

Government Grants

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

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

Government grants are recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Other grants and donations received

Other grants and donations shall be recognised as revenue when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- The amount of the revenue can be measured reliably; and
- To the extent that there has been compliance with any restrictions associated with the grant.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment are brought into use.

Revenue from public contributions is recognised when all conditions have been met or where the contribution to property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Where public contributions have been received but the conditions were not met, a liability is recognised.

Levies

Levies shall be recognised as revenue when:

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

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.13 REVENUE RECOGNITION (CONT)

Interest, royalties and dividends

Revenue arising from the use of assets by others of the municipal assets yielding interest royalties and dividends shall be recognised when:

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

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

Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement; and

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

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

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

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

Revenue are initially recognised at cost as permitted in terms of Gazette 30013 of 29 June 2007.

1.14 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

1.15 CONTINGENT ASSETS

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. Contingent assets are not recognised as assets.

1.16 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.17 CONDITIONAL GRANTS AND RECEIPTS

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

1.18 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank. Short term investments are excluded. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

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

1.22 COMPARATIVE INFORMATION

Budgeted amounts have been included in the annual financial statements for the current financial year only. When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1.23 RETIREMENT BENEFITS

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Joint Municipal Pension Fund
- Municipal Employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

- a) Defined contribution plans
Contributions to the defined contribution pension plan in respect of service in a particular period are included in the employees' total cost of employment and are charged to the statement of financial performance in the year to which they relate as part of cost of employment.
- b) Post employment medical care benefits
The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.
Post employment medical care benefits are accounted for in accordance with the exemptions in terms of Gazette 30013 of 29 June 2007.

1.24 BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

1.25 CONSUMER DEPOSITS

Consumer deposits are a partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

1.26 EVENTS AFTER BALANCE SHEET DATE

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note to the financial statements.

1.27 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the invoice basis.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
2. HOUSING DEVELOPMENT FUND	10 808 220	10 736 726
Unappropriated Surplus	7 828 249	7 756 755
Loans estinguished by Government in April 1998	2 979 971	2 979 971
The Housing Fund is represented by the following asets and liabilities:		
Property, plant and equipment	507 721	507 721
Housing selling scheme loans	2 794 722	3 006 068
Bank and cash	7 505 777	7 222 937
	<u>10 808 220</u>	<u>10 736 726</u>
3. RESERVES		
Capital Replacement Reserve	337 148 802	240 674 578
Capitalisation Reserve	219 378 628	252 935 343
Government Grants Reserve	837 133 218	354 434 964
Donations and Public Contribution Reserve	29 118 511	24 959 856
Self Insurance Reserve	12 793 484	8 466 158
	<u>1 435 572 643</u>	<u>881 470 899</u>
4. LONG TERM LIABILITIES		
Local Registered Stock loans	829 995	867 328
Annuity loans	92 492 846	92 492 846
	<u>93 322 841</u>	<u>93 360 174</u>
Less: Current portion transferred to current		
Annuity loans	-	(37 333)
	<u>93 322 841</u>	<u>93 322 841</u>
Refer to Appendix A for more detail on long term liabilities.		
5. CONSUMER DEPOSITS		
Water and electricity	<u>39 182 983</u>	<u>34 513 346</u>
No interest is paid on consumer deposits.		
Guarantees held in lieu of electricity and water deposits	<u>8 815 481</u>	<u>8 844 180</u>
6. TRADE AND OTHER PAYABLES		
Trade Creditors	32 560 210	27 539 572
Amounts received in advance	7 045 835	5 410 962
Other	8 312 907	12 613 108
Guarantees	195 931	195 930
Staff leave	26 596 035	13 120 220
Retentions	26 581 435	19 372 077
	<u>101 292 352</u>	<u>78 251 869</u>
Creditors are recognised at cost and no interest was recognised as a result of any time value of money adjustments as permitted per gazette 30013 of 29 June 2007.		

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
7. CONDITIONAL GRANTS FROM GOVERNMENT		
Local Government Restructuring grant	953 927	3 343 658
Finance Management grant	4 537 537	4 780 514
PTIF	31 961 062	3 905 553
2010 Stadium grant	256 341 660	103 566 090
Municipal infrastructure grant	60 895 103	28 240 452
Limpopo Provincial Government	-	12 420 218
DWAF refurbishment	2 000 000	-
NERSA	11 661 507	
Housing Accreditation grant	4 397 233	3 312 852
Local Government Transitional grant	649 874	649 873
Municipal Systems Improvement grant	915 770	915 770
Provincial LED projects	54 714	54 714
	<u>374 368 386</u>	<u>161 189 694</u>
See note 19 for reconciliation of grants. These amounts are invested until utilised.		
8. PROVISIONS		
Stone Quarry Restoration		1 798 132
Stone Quarry Rehabilitation		1 318 624
Municipal Airport		126 654
		<u>3 243 410</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

9. PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Community Assets R	Other Assets R	Housing Development Fund R	Total R
Carrying values at 1 July 2007	0	0	0	0	0	0
Cost	0	0	0	0	0	0
Accumulated depreciation – cost	0	0	0	0	0	0
Acquisitions						0
Capital under construction						0
Depreciation – based on cost						0
Carrying value of disposals						0
Cost						0
Accumulated depreciation						0
Carrying values at 30 June 2008	0	0	0	0	0	1 733 886 438
Cost	0	0	0	0	0	2 054 220 855
Accumulated depreciation – cost	0	0	0	0	0	(320 334 417)

Carrying values at 1 July 2006	0	0	0	0	0	0
Cost						0
Accumulated depreciation – cost						0
Acquisitions						0
Capital under construction						0
Depreciation – based on cost						0
Carrying value of disposals						0
Cost						0
Accumulated depreciation						0
Other movements						0
Carrying values at 30 June 2007	0	0	0	0	0	0
Cost	0	0	0	0	0	0
Accumulated depreciation – cost	0	0	0	0	0	0

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2009. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
10. INVESTMENTS		
Long Term Fixed Deposits		
ABSA Bank	69 825 509	59 635 813
Endowment Policy	747 144	747 144
	<u>70 572 653</u>	<u>60 382 957</u>
Short Term Fixed Deposits		
ABSA Bank	65 000 000	50 000 000
First National Bank	45 000 000	40 000 000
Investec Bank	120 507 554	75 000 000
Nedbank	45 000 000	55 000 000
Standard Bank	45 000 000	50 000 000
	<u>320 507 554</u>	<u>270 000 000</u>
Total Investments	<u>391 080 207</u>	<u>330 382 957</u>
Council's valuation of investments	<u>391 080 207</u>	<u>330 382 957</u>

No investments have been written off during the year.

The Absa long term investment serves as security for the DBSA Annuity Loan.

11. NON CURRENT RECEIVABLES

Motor car loans	267 842	628 191
Housing selling scheme loans	2 794 727	3 006 068
Sport loans	1 343 907	1 475 789
Erven loans	11 165 866	11 466 523
Electrical connection	106	312
Loan to Subsidiary - Polokwane Housing Association	11 252 748	-
	<u>26 825 195</u>	<u>16 576 883</u>
Less: current portion transferred to current receivables	11 431 779	11 258 391
Motor car loans	212 949	582 366
Housing selling scheme loans	138 008	200 000
Sport loans	93 000	1 475 789
Erven loans	10 987 716	9 000 000
Electrical connection	106	236
	<u>15 393 416</u>	<u>5 318 492</u>

Motor car loans

attract interest at 8.5% per annum and which are repayable over a maximum period of 6 years. These loans are repayable in the year 2009.

Housing selling scheme loans

These loans have different interest rates and loans were given over a period of 30 years.

Sport loans

These loans were given to sporting bodies at an interest rate of 10% repayable over 10 years. These loans are repayable in 2016.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
11. NON CURRENT RECEIVABLES (CONT)		
Erven loans		
These loans were granted to the community for the purchase of stands. The loans attract different interest rates.		
Electrical connection		
The loans attract interest at 5% per annum. This loan is repayable in the year 2009.		
Loan to Subsidiary		
An interest free loan was given to the Polokwane Housing Association. The loan is repayable in 2017.		
12. INVENTORY		
Consumable stores - at cost	47 184 243	30 894 526
Unsold properties held for resale	9 197 565	
	<u>56 381 809</u>	<u>30 894 526</u>
Only properties listed under inventory which were sold during the year, were expensed.		
13. CONSUMER DEBTORS		
Consumer Debtors	173 534 040	130 187 307
Less Provision for bad debts	(46 815 696)	(26 802 265)
	<u>126 718 344</u>	<u>103 385 042</u>
Ageing of consumer debtors		
Current (0-30 days)	56 190 631	49 545 825
31-60 days	11 607 081	5 939 942
61-90 days	8 304 756	4 623 637
91-120 days	5 918 739	3 763 925
120+ days	91 512 833	66 313 978
	<u>173 534 040</u>	<u>130 187 307</u>
Consumer debtors per category		
Government	19 200 577	15 199 028
Business	52 317 978	42 667 203
Individuals	95 903 659	67 001 997
Other	6 111 826	5 319 079
	<u>173 534 040</u>	<u>130 187 307</u>
Debtors are recognised at cost as permitted in terms of gazette 30013 of 29 June 2007		
The analysis and ageing of consumer debtors per service could not be provided as the billing system utilised by the municipality was not set up to generate such reports		
Reconciliation of bad debt provision		
Balance at beginning of year	26 802 265	19 313 145
Contributions to provision	20 000 000	15 000 000
Bad debts recovered/(written off) against provision	13 431	(7 510 880)
Balance at year end	<u>46 815 696</u>	<u>26 802 265</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
14. OTHER RECEIVABLES		
Other debtors	23 968 668	5 630 322
Deposits	141 167	129 815
	<u>24 109 835</u>	<u>5 760 137</u>
Other receivables are recognised at cost as permitted in terms of gazette 30013 of 29 June 2007.		
15. VAT		
Vat refundable	<u>36 777 151</u>	<u>14 198 798</u>
Vat is payable on an invoice basis.		
16. CASH AND CASH EQUIVALENTS		
The municipality has the following bank accounts:		
Current account (primary bank account)		
Standard Bank: Polokwane		
Account number: 030172349		
Bank statement balance at beginning of year	<u>95 972 032</u>	<u>15 707 078</u>
Bank statement balance at end of year	<u>86 009 730</u>	<u>95 972 032</u>
Cash book balance at beginning of year	<u>60 496 594</u>	<u>(11 266 881)</u>
Cash book balance at end of year	<u>71 802 222</u>	<u>60 496 594</u>
2010 Account		
Standard Bank: Polokwane		
Account number: 330535250		
Bank statement balance at beginning of year	<u>103 566 090</u>	<u>-</u>
Bank statement balance at end of year	<u>256 463 872</u>	<u>103 566 090</u>
Cash book balance at beginning of year	<u>103 566 090</u>	<u>-</u>
Cash book balance at end of year	<u>256 341 660</u>	<u>103 566 090</u>
Housing Account		
Standard Bank: Polokwane		
Account number: 330535269		
Bank statement balance at beginning of year	<u>3 312 852</u>	<u>-</u>
Bank statement balance at end of year	<u>4 443 241</u>	<u>3 312 852</u>
Cash book balance at beginning of year	<u>3 312 851</u>	<u>-</u>
Cash book balance at end of year	<u>4 397 233</u>	<u>3 312 851</u>
Other	6 486	16 491
Petty cash	38 760	38 760
	<u>332 586 361</u>	<u>167 430 786</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		2008	2007
		R	R
17. PROPERTY RATES			
	Residential	74 074 694	65 752 600
	Government	8 609 047	8 138 869
	Commercial	58 636 719	53 798 139
	Other	2 214 416	1 455 116
		<u>143 534 876</u>	<u>129 144 724</u>
	VALUATIONS	R000's	R000's
	Residential	1 161 669	1 083 223
	Government	127 806	127 648
	Commercial	696 905	675 010
	Municipal	246 619	226 868
	Other	362 040	359 330
		<u>2 595 039</u>	<u>2 472 079</u>
	<p>Valuations on land are performed every four years and the last general valuation come into effect on 1 July 2002. The basic rate for 2007/8 was 8.42c in the Rand on land. Different rebates are granted to owners dependent on the land value of the property. An additional rebate of 40% was granted to pensioners.</p>		
18. SERVICE CHARGES			
	Sale of electricity	213 847 417	200 838 192
	Sale of water	79 454 690	91 126 523
	Refuse removal	32 856 590	30 572 501
	Sewerage and sanitation charges	29 452 030	25 599 709
		<u>355 610 727</u>	<u>348 136 925</u>
19. GOVERNMENT SUBSIDIES & GRANTS			
	Operating Grants	192 923 655	146 110 597
	Equitable share	147 399 675	125 598 381
	Restructuring grant	2 389 731	4 384 412
	Finance management grant	742 977	272 358
	Water services grant	12 839 396	4 161 000
	PTIF	21 944 492	10 494 446
	Local Government Housing	2 430 092	
	NEP	5 177 292	1 200 000
	Capital Grants	497 543 021	222 902 407
	2010 Stadium	392 550 988	119 560 807
	Municipal infrastructural grant (MIG)	72 983 813	76 115 225
	ICC	32 008 219	24 621 375
	DWAF refurbishment	-	2 605 000
	Total Government Grants & Subsidies	<u>690 466 676</u>	<u>369 013 004</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
19. GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)		
19.1 Equitable Share		
This grant is an unconditionally grant and is partially utilized for the provision of indigent support through free basic services. Registered indigents receive a maximum monthly subsidy of R118-85 (2007: R112-43) which is funded from this grant.		
19.2 Restructuring Grant		
Balance unspent at beginning of year	3 343 658	7 728 070
Current year receipts	-	-
Conditions met – transferred to revenue	<u>(2 389 731)</u>	<u>(4 384 412)</u>
Unspent amount transferred to liabilities	<u>953 927</u>	<u>3 343 658</u>
(see note 7)		
The grant was used for various restructuring initiatives.		
19.3 Finance Management Grant		
Balance unspent at beginning of year	4 780 514	4 552 872
Current year receipts	500 000	500 000
Conditions met – transferred to revenue	<u>(742 977)</u>	<u>(272 358)</u>
Unspent amount transferred to liabilities	<u>4 537 537</u>	<u>4 780 514</u>
(see note 7)		
This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.		
19.4 Water services grant		
Current year receipts	12 839 396	4 161 000
Conditions met – transferred to revenue	<u>(12 839 396)</u>	<u>(4 161 000)</u>
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
(see note 7)		
The grant was utilised to subsidise water schemes transferred by DWAF.		
19.5 PTIF		
Balance unspent at beginning of year	3 905 553	7 750 091
Current year receipts	50 000 000	6 649 908
Conditions met – transferred to revenue	<u>(21 944 492)</u>	<u>(10 494 446)</u>
Unspent amount transferred to liabilities	<u>31 961 061</u>	<u>3 905 553</u>
(see note 7)		
The grant was used for public transport and non motorised transport infrastructure.		
19.6 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	915 770	915 770
Current year receipts	-	-
Conditions met – transferred to revenue	<u>-</u>	<u>-</u>
Unspent amount transferred to liabilities	<u>915 770</u>	<u>915 770</u>
(see note 7)		
The purpose of the grant is for institutional systems. The grant was unutilised.		

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
19. GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)		
19.7 2010 Stadium		
Balance unspent at beginning of year	103 566 090	206 838
Current year receipts	545 326 558	222 920 059
Conditions met – transferred to revenue	<u>(392 550 988)</u>	<u>(119 560 807)</u>
Unspent amount transferred to liabilities	<u>256 341 660</u>	<u>103 566 090</u>
(see note 7)		
This grant was utilised to construct a new 2010 stadium for the 2010 FIFA soccer World Cup. The conditions of the grant were met and no funds have been withheld.		
19.8 Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	28 240 452	31 737 771
Current year receipts	107 642 418	72 617 906
Conditions met – transferred to revenue	<u>(74 987 768)</u>	<u>(76 115 225)</u>
Unspent amount transferred to liabilities	<u>60 895 102</u>	<u>28 240 452</u>
(see note 7)		
This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met and no funds have been withheld.		
19.9 ICC		
Balance unspent at beginning of year	12 420 218	37 041 593
Current year receipts	19 588 000	
Conditions met – transferred to revenue	<u>(32 008 218)</u>	<u>(24 621 375)</u>
Unspent amount transferred to liabilities	<u>-</u>	<u>12 420 218</u>
(see note 7)		
The grant was used to plan the construction of the convention centre.		
19.10 DWAF refurbishment		
Balance unspent at beginning of year	-	-
Current year receipts	2 000 000	2 605 000
Conditions met – transferred to revenue		<u>(2 605 000)</u>
Unspent amount transferred to liabilities	<u>2 000 000</u>	<u>-</u>
(see note 7)		
The grant was utilised to subsidise water schemes transferred by DWAF.		
19.11 NEP		
Balance unspent at beginning of year	-	-
Current year receipts	16 838 800	1 200 000
Conditions met – transferred to revenue	<u>(5 177 292)</u>	<u>(1 200 000)</u>
Unspent amount transferred to liabilities	<u>11 661 508</u>	<u>-</u>
The grant was utilised to instal electricity infrastructure.		
20. PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT		
DBSA		20 000 000
National Lotto		119 686
	<u>-</u>	<u>20 119 686</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
21. INVESTMENT REVENUE		
EXTERNAL INVESTMENTS		
Current account	13 541 386	
External investments	42 838 098	45 121 719
	<u>56 379 484</u>	<u>45 121 719</u>
22. OTHER REVENUE		
Building plan fees	3 152 548	
Consumer Connection fees	4 758 497	
Sale of erven	8 455 386	
Surcharge excess	21 696 712	
Royalties Silicon	1 142 419	
Services contributions	1 173 176	
Reconnection and notice fees	4 212 618	
Sundry income	4 779 293	47 414 503
	<u>49 370 649</u>	<u>47 414 503</u>
23. EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	138 276 084	130 799 381
Employee related cost - Social contributions	39 576 926	36 161 690
Travel, motor car, accomodation & other	15 314 646	12 942 688
Housing benefits and allowances	5 733 215	1 840 875
Overtime benefits	22 296 158	15 081 752
Leave reserve provision	17 631 159	
Long term service awards	283 601	656 759
	<u>239 111 789</u>	<u>197 483 145</u>
There were no advances paid to employees. Loans to employees is set out in Note 11.		
Municipal Manager		
Annual remuneration	578 054	713 223
Allowances	173 242	144 000
Council Contributions	154 729	1 352
	<u>906 025</u>	<u>858 575</u>
Chief Financial Officer		
Annual remuneration		506 764
Allowances		132 000
Council Contributions		10 376
		<u>649 140</u>
The post was vacant as from November 2006.		
Director Planning		
Annual remuneration	453 127	406 275
Allowances	132 000	132 000
Council Contributions	102 062	101 707
	<u>687 189</u>	<u>639 982</u>
Director Technical		
Annual remuneration	428 213	406 275
Allowances	168 000	132 000
Council Contributions	100 682	101 707
	<u>696 895</u>	<u>639 982</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
23. EMPLOYEE RELATED COSTS (CONT)		
Director Community		
Annual remuneration	408 064	406 275
Allowances	168 000	132 000
Council Contributions	127 406	101 707
	<u>703 470</u>	<u>639 982</u>
Director Corporate		
Annual remuneration		406 275
Allowances		132 000
Council Contributions		101 707
		<u>639 982</u>
The post was vacant as from July 2007.		
Director 2010		
Annual remuneration	195 796	
Allowances	75 913	
Council Contributions	59 741	
	<u>331 450</u>	
The post was filled as from 1 November 2007.		
No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.		
24. REMUNERATION OF COUNCILLORS		
Executive Mayor	505 974	410 960
Speaker	406 193	257 503
Chief Whip	402 812	
Mayoral Committee members	3 235 258	2 148 773
Councillors	9 118 172	7 349 495
	<u>13 668 409</u>	<u>10 166 731</u>
The Executive Mayor, Speaker and certain Mayoral Committee Members are full time. Each is provided with an office and secretarial support at the cost of Council. The Executive Mayor has use of a Council owned vehicle.		
25. FINANCE COST		
Local Registered Stock loans	98 507	
Annuity loans	14 456 183	14 847 748
	<u>14 554 690</u>	<u>14 847 748</u>
26. BULK PURCHASES		
Electricity	117 078 430	106 102 731
Water	73 186 106	52 073 680
	<u>190 264 535</u>	<u>158 176 411</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
27. GRANT AND SUBSIDIES PAID		
Housing Association	1 763 553	
Animal care : SPCA	240 000	
	<u>2 003 553</u>	<u>-</u>
28. GENERAL EXPENSES		
Project Management Unit	3 023 471	119 375 206
Free basic services	8 180 702	
Printing and stationery	2 632 778	
Rental equipment	6 910 744	
Stores and material	2 014 394	
Meter reading	1 503 805	
Research and development	3 674 871	
Training	1 642 495	
Postage and telegram	1 382 470	
Legal expenses	1 156 294	
Subsistence and travelling	2 285 524	
Security services	3 902 493	
Telephone costs	5 086 111	
Garden services	2 857 823	
Awareness campaigns	8 696 863	
Insurance	5 201 100	
Other	33 459 104	
	<u>93 611 041</u>	<u>119 375 206</u>
29. CORRECTION OF ERROR		
During the year ended 30 June 2008 corrections were made and appropriated to the Accumulated Surplus Account. Details of the appropriations are as follows:		
Correction on depreciation		(13 500 743)
Correction on offsetting of depreciation		4 689 084
Correction on unsold properties		17 851 951
Correction to Provisions		3 243 411
Correction to Creditors		(4 327 674)
Correction to Loan to Subsidiary		11 252 748
Correction to Debtors		(1 558 719)
Correction to Inventory		(345 591)
Correction to Grants		2 003 955
Net effect on surplus/(deficit) for the year		<u>19 308 422</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

		2008 R	2007 R
30.	CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
	Net surplus for the year	609 978 295	389 405 086
	Adjustment for:		
	Correction of prior year error	19 308 421	
	Depreciation charges	93 425 767	4 411 010
	Contributions to provisions		
	Contributions to bad debt	20 013 431	
	Contribution to Reserve	(361 749)	
	Interest received	(56 379 484)	
	Interest paid	14 554 690	
	Non-operating income		
	Non-operating expenditure		
	Operating surplus before working capital changes	<u>700 539 371</u>	<u>393 816 096</u>
	(Increase)/decrease in inventories	(25 487 283)	
	(Increase)/decrease in debtors	(43 346 733)	
	(Increase)/decrease in other debtors	(18 349 698)	
	Increase/(decrease) in conditional grants	213 178 692	
	Increase/(decrease) in creditors	23 040 474	
	(Increase)/decrease in VAT	(22 578 353)	
	Increase/(decrease) in provisions	(3 243 410)	
	Cash generated by operations	<u>823 753 060</u>	<u>393 816 096</u>
31	ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
	31.1 Contribution to SALGA		
	Council membership fees payable	1 131 079	
	Amount paid current year	(1 131 079)	
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
	31.2 Audit Fees		
	Current year audit fee	697 601	
	Amount paid current year	(697 601)	
	Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
	31.3 VAT		
	VAT is payable on the invoice basis. VAT input receivables and VAT output receivable are shown in notes 3. All VAT returns have been submitted by the due date throughout the year.		
	31.4 Pay as You Earn (PAYE)		
	Current payroll deductions	26 195 739	
	Amount paid current year	(26 195 739)	
	Balance unpaid	<u>-</u>	<u>-</u>
	31.5 Unemployment Insurance Fund (UIF)		
	Current payroll deductions	2 235 021	
	Amount paid current year	(2 235 021)	
	Balance unpaid	<u>-</u>	<u>-</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
32. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003		
32.6 Medical Aid		
Current payroll deductions	15 669 102	
Amount paid current year	<u>(15 669 102)</u>	
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>
32.7 Pension Fund		
Current payroll deductions	37 543 627	
Amount paid current year	<u>(37 543 627)</u>	
Balance unpaid	<u><u>-</u></u>	<u><u>-</u></u>

33. INVESTMENT PROPERTY

The municipality has taken advantage of the exemptions as per gazette 30013 of 29 June 2007. The municipality is still in a process of identifying investment property which is currently part of PPE. These items will be transferred once they have been identified in terms of the definition IAS 40 (AC 135).

34. RETIREMENT BENEFIT INFORMATION

All Councillors belong to the Pension Fund for Municipal Councillors. The fund is subject to a triennial actuarial valuation. No details could be provided of the last valuation.

Employees belong to a variety of approved Pension Funds. These funds are subject to a triennial valuation. No details could be provided of the last valuation.

The contributions to the funds have been expensed.

**APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

External Loans	Loan No.	Redeemable	Balance at 30 June 2007	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2008
			R	R	R	R	R
LONG TERM LOANS							
Stock Loan@10%	504	2008	7 333			7 333	-
Stock Loan@10%	505	2008	30 000			30 000	-
Stock Loan@10%	506	2010	3 000				3 000
Stock Loan@10%	507	2010	45 000				45 000
Stock Loan@10%	508	2012	15 400				15 400
Stock Loan@10%	509	2011	41 667				41 667
Stock Loan@10%	510	2013	53 333				53 333
Stock Loan@10%	511	2013	30 000				30 000
Stock Loan@10%	512	2014	30 000				30 000
Stock Loan@10%	513	2011	8 333				8 333
Stock Loan@10%	514	2015	100 000				100 000
Stock Loan@10%	515	2015	10 000				10 000
Stock Loan@10%	516	2014	22 000				22 000
Stock Loan@10%	517	2015	83 333				83 333
Stock Loan@10%	518	2016	7 799				7 799
Stock Loan@10%	519	2016	8 633				8 633
Stock Loan@10%	520	2016	40 000				40 000
Stock Loan@10%	522	2015	6 829				6 829
Stock Loan@10%	523	2015	14 667				14 667
Stock Loan@10%	524	2016	90 000				90 000
Stock Loan@10%	525	2015	200 000				200 000
Stock Loan@10%	527	2016	20 000				20 000
			867 328			37 333	829 995
ANNUITY LOAN							
ANNUITY LOAN @13.65%	404	2010	92 492 846				92 492 846
			92 492 846			-	92 492 846
Total External Loans			93 360 174	-	-	37 333	93 322 841

**APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008**

	HISTORICAL COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions/Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
INFRASTRUCTURE	-	-	-	-	-	-	-	-	-	-
Roads, pavements, bridges & stormwater										
Water reservoirs & reticulation										
Car parks, bus terminals & taxi ranks										
Electricity reticulation										
Sewerage purification & reticulation										
Housing										
Street lighting										
Refuse sites										
Other (town planning & development)										
COMMUNITY ASSETS	-	-	-	-	-	-	-	-	-	-
Establishment of parks & gardens										
Sports fields										
Community halls										
Libraries										
Recreational facilities										
Clinics										
Museums & art galleries										
Other (fire services & cemeteries)										
OTHER ASSETS	-	-	-	-	-	-	-	-	-	-
Other motor vehicles										
Plant & equipment										
Office equipment										
Abattoirs										
Security measures (including fencing)										
Civic land & buildings										
Other land & buildings										
Other (including IT)										
SPECIALISED VEHICLES	-	-	-	-	-	-	-	-	-	-
Refuse										
Fire										
TOTAL										

APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2008

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R		
EXECUTIVE COUNCIL	1 234 833	85 263	-	-	1 320 096	65 271	53 182	-	118 453	1 201 643	
Executive Council	1 234 833	85 263			1 320 096	65 271	53 182		118 453	1 201 643	
FINANCE & ADMINISTRATION	79 848 726	18 754 126	-	-	98 602 852	13 313 631	13 315 931	-	26 629 562	71 973 290	
Finance	79 848 726	18 754 126			98 602 852	13 313 631	13 315 931		26 629 562	71 973 290	
Information technology											
Human resources											
Property services											
Other & admin											
PLANNING & DEVELOPMENT	52 242 366	43 612 501	-	-	95 854 867	3 752 948	1 455 227	-	5 208 175	90 646 692	
Planning & development	52 242 366	43 612 501			95 854 867	3 752 948	1 455 227		5 208 175	90 646 692	
ROAD TRANSPORT	289 975 059	32 258 070	-	-	322 233 129	16 909 786	16 248 122	-	33 157 908	289 075 221	
Vehicle licensing & testing											
Roads & stormwater	289 975 059	32 258 070			322 233 129	16 909 786	16 248 122		33 157 908	289 075 221	
Roads other											
HEALTH	1 705 281	8 675	-	-	1 713 956	565 271	168 230	-	733 501	980 455	
Clinics	1 705 281	8 675			1 713 956	565 271	168 230		733 501	980 455	
Health other											
COMMUNITY & SOCIAL SERVICES	28 161 309	3 759 982	-	-	31 921 291	3 372 434	1 582 150	-	4 954 584	26 966 707	
Libraries & archives											
Community halls & facilities	28 161 309	3 759 982			31 921 291	3 372 434	1 582 150		4 954 584	26 966 707	
Cemeteries & crematoriums											
PUBLIC SAFETY	35 211 102	6 428 436	-	-	41 639 538	3 507 971	6 816 233	-	10 324 204	31 315 334	
Fire											
Traffic	35 211 102	6 428 436			41 639 538	3 507 971	6 816 233		10 324 204	31 315 334	
ENVIRONMENTAL PROTECTION	158 265	-	-	-	158 265	-	861	-	861	157 404	
Environmental Protection	158 265				158 265		861		861	157 404	
SPORT & RECREATION	208 922 510	398 481 774	-	-	607 404 284	11 330 594	5 298 658	-	16 629 252	590 775 032	
Sport & recreation	208 922 510	398 481 774			607 404 284	11 330 594	5 298 658		16 629 252	590 775 032	
WASTE WATER MANAGEMENT	108 797 752	26 242 270	-	-	135 040 022	3 687 757	4 463 564	-	8 151 321	126 888 701	
Sewerage	108 797 752	26 242 270			135 040 022	3 687 757	4 463 564		8 151 321	126 888 701	
Public toilets											
WASTE MANAGEMENT	8 374 588	829 190	-	-	9 203 778	389 277	1 077 733	-	1 467 010	7 736 768	
Solid waste	8 374 588	829 190			9 203 778	389 277	1 077 733		1 467 010	7 736 768	
HOUSING	563 427	-	-	-	563 427	31 538	7 260	-	38 798	524 629	
Housing	563 427				563 427	31 538	7 260		38 798	524 629	
OTHER	2 443 003	-	-	-	2 443 003	349 653	419 085	-	768 738	1 674 265	
Other	2 443 003				2 443 003	349 653	419 085		768 738	1 674 265	
WATER	283 649 926	71 517 623	-	-	355 167 549	44 180 206	27 105 087	-	71 285 293	283 882 256	
Water distribution	283 649 926	71 517 623			355 167 549	44 180 206	27 105 087		71 285 293	283 882 256	
Water storage											
ELECTRICITY	213 802 207	32 131 111	-	-	245 933 318	20 430 833	15 414 445	-	35 845 278	210 088 040	
Electricity distribution	213 802 207	32 131 111			245 933 318	20 430 833	15 414 445		35 845 278	210 088 040	
Street lighting											
TOTAL	1 315 090 354	634 109 021	-	-	1 949 199 375	121 887 170	93 425 768	-	215 312 938	1 733 886 437	

**APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual Income	2007 Actual Expenditure	2007 Actual Surplus/ (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	61 185 650	(61 185 650)	Executive & Council	-	26 803 557	(26 803 557)
	60 266 174	(60 266 174)	Council general expenses		25 791 948	(25 791 948)
	75 779	(75 779)	Municipal Manager		82 556	(82 556)
	13 732	(13 732)	Elections		20 639	(20 639)
	829 965	(829 965)	Secretariat & Records		908 414	(908 414)
574 430 693	47 971 011	526 459 682	Finance & Admin	904 655 291	69 414 711	835 240 580
			Finance			
389 132 692		389 132 692	Intergovernmental transfers	690 466 677		690 466 677
	3 080 921	(3 080 921)	Mankweng/Sebayeng		3 372 019	(3 372 019)
55 016 422	22 487 676	32 528 746	Finance	70 142 955	8 248 664	61 894 291
129 144 726	3 460 242	125 684 484	Assessment rates	143 534 876	8 686 530	134 848 346
			Human Resources			
	630 221	(630 221)	Administration		1 673 517	(1 673 517)
	1 209 008	(1 209 008)	O & W		547 565	(547 565)
460 063	1 748 530	(1 288 467)	Personnel		18 476 702	(18 476 702)
	687 819	(687 819)	Training		1 192 258	(1 192 258)
32 317	384 670	(352 353)	Labour relations		348 976	(348 976)
1 664		1 664	Occupational Health	11 985	362 157	(350 172)
			IT	1 276	889 990	(888 714)
35 730	4 504 423	(4 468 693)	Property Services			
			Administration		7 045 705	(7 045 705)
			Civic Centre	8 800	693 308	(684 508)
			Other Admin			
	312 322	(312 322)	Com & public participation		386 470	(386 470)
	47 549	(47 549)	Security & risk management		41 278	(41 278)
	31 864	(31 864)	Internal audit		41 278	(41 278)
	1 164 091	(1 164 091)	Technical depot		1 432 675	(1 432 675)
			Transport workshop		4 825 123	(4 825 123)
	2 239 076	(2 239 076)	Community security		4 263 146	(4 263 146)
	2 791 356	(2 791 356)	Legal Services		3 370 108	(3 370 108)
607 079	3 191 243	(2 584 164)	Procurement	488 722	3 517 242	(3 028 520)
24 501 794	20 957 029	3 544 765	Planning & Development	16 699 436	30 833 098	(14 133 662)
22 856 289	4 256 402	18 599 887	Land use management	13 077 480	12 278 395	799 085
355 056	5 422 530	(5 067 474)	Spatial Planning	254 982	5 541 111	(5 286 129)
1 290 449	4 209 258	(2 918 809)	Building inspections	3 366 974	4 738 912	(1 371 938)
	1 579 801	(1 579 801)	Community development		1 786 230	(1 786 230)
	447 967	(447 967)	Investment promotion		959 353	(959 353)
	3 223 949	(3 223 949)	Economic planning		3 070 974	(3 070 974)
	1 817 122	(1 817 122)	IDP		2 458 123	(2 458 123)

**APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual Income	2007 Actual Expenditure	2007 Actual Surplus/ (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	7 952 535	(7 952 535)	Health	-	7 268 227	(7 268 227)
	4 916 099	(4 916 099)	Clinics		4 620 265	(4 620 265)
	3 036 436	(3 036 436)	Health inspection		2 647 962	(2 647 962)
2 471 637	23 932 739	(21 461 102)	Community Services	2 179 148	26 955 049	(24 775 901)
264 250	7 699 546	(7 435 296)	Libraries	273 976	9 350 219	(9 076 243)
	686 538	(686 538)	Museums			
18 117	4 387 187	(4 369 070)	Art Museum		568 122	(568 122)
221 396	1 904 499	(1 683 103)	Museum	37 091	5 155 085	(5 117 994)
315 631	2 766 729	(2 451 098)	Community centres	213 492	2 213 130	(1 999 638)
			Cemeteries	350 749	2 793 891	(2 443 142)
			Other Community			
1 489 964	4 678 286	(3 188 322)	Game Reserve	1 209 780	4 688 149	(3 478 369)
162 279	957 613	(795 334)	Showgrounds	94 060	1 036 946	(942 886)
	852 341	(852 341)	Cultural desk		1 149 507	(1 149 507)
183 644	5 598 629	(5 414 985)	Housing	252 696	6 783 100	(6 530 404)
	5 590 577	(5 590 577)	Administration		6 764 479	(6 764 479)
179 612	7 654	171 958	Assisted schemes	248 328	18 150	230 178
4 032	398	3 634	Letting schemes	4 368	471	3 897
7 319 383	43 579 948	(36 260 565)	Public Safety	13 636 568	55 672 394	(42 035 826)
3 160 196	22 510 146	(19 349 950)	Traffic	3 371 399	29 621 956	(26 250 557)
357 571	15 337 656	(14 980 085)	Fire fighting	276 592	17 959 856	(17 683 264)
	1 682 843	(1 682 843)	Disaster management		1 582 839	(1 582 839)
3 797 486	3 839 063	(41 577)	Licensing	9 985 481	4 676 797	5 308 684
4 130	210 240	(206 110)	Municipal control centre	3 096	1 830 946	(1 827 850)
1 074 908	37 245 634	(36 170 726)	Parks & Recreation	656 123	44 301 913	(43 645 790)
12 828	1 659 417	(1 646 589)	Nursery	12 775	1 820 077	(1 807 302)
273 672	17 332 774	(17 059 102)	Parks	69 528	18 598 712	(18 529 184)
			Administration		25 060	(25 060)
599 451	14 877 244	(14 277 793)	Sport & recreation	431 111	20 258 017	(19 826 906)
188 957	3 376 199	(3 187 242)	Swimming pools	142 709	3 600 047	(3 457 338)
-	657 684	(657 684)	Environmental Protection	-	631 447	(631 447)
	657 684	(657 684)	Air pollution		631 447	(631 447)
30 572 502	34 214 346	(3 641 844)	Waste Management	32 856 590	36 091 511	(3 234 921)
			Administration			
30 572 502	30 340 189	232 313	Refuse Removal	32 856 590	32 494 381	362 209
	3 874 157	(3 874 157)	Street & side walking cleaning		3 597 130	(3 597 130)

**APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual Income	2007 Actual Expenditure	2007 Actual Surplus/ (Deficit)		2008 Actual Income	2008 Actual Expenditure	2008 Actual Surplus/ (Deficit)
R	R	R		R	R	R
26 822 719	18 420 315	8 402 404	Waster water management	30 406 004	26 627 464	3 778 540
105 389	8 407 778	(8 302 389)	Sewer purification	158 140	9 958 783	(9 800 643)
26 717 330	4 086 099	22 631 231	Sewer reticulation	30 247 864	9 596 622	20 651 242
	4 560 223	(4 560 223)	Stormwater		6 234 731	(6 234 731)
	1 366 215	(1 366 215)	Public toilets		837 328	(837 328)
4 641 591	22 068 562	(17 426 971)	Road Transport	5 166 251	33 444 438	(28 278 187)
	20 304 742	(20 304 742)	Roads & streets		31 411 342	(31 411 342)
4 641 591	1 763 820	2 877 771	Vehicle licensing & testing	5 166 251	2 033 096	3 133 155
98 082 694	86 068 604	12 014 090	Water distribution	105 687 658	141 567 078	(35 879 420)
98 082 694	21 721 399	76 361 295	Water Distribution	105 687 658	52 411 149	53 276 509
	62 074 004	(62 074 004)	Water provision		86 166 371	(86 166 371)
	2 273 201	(2 273 201)	Water Purification		2 989 558	(2 989 558)
207 226 373	178 044 089	29 182 284	Electricity	219 275 771	214 678 317	4 597 454
	3 478 894	(3 478 894)	Workshop		3 732 457	(3 732 457)
207 226 373	168 068 755	39 157 618	Distribution	219 275 771	206 906 375	12 369 396
	6 496 440	(6 496 440)	Street Lighting		4 039 485	(4 039 485)
-	26 077	(26 077)	Other	20 000	440 938	(420 938)
	26 077	(26 077)	Airport	20 000	440 938	(420 938)
977 327 938	587 922 852	389 405 086	Total	1 331 491 536	721 513 242	609 978 294

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 200€

	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	143 534 876	138 050 800	5 484 076	3.97	
Service charges	355 610 727	361 192 405	(5 581 678)	(1.55)	
Rental of facilities and equipment	4 413 851	4 563 625	(149 774)	(3.28)	
Interest earned – external investments	56 379 484	37 122 000	19 257 484	51.88	Under spending on capital projects - funds
Interest earned – outstanding debtors	13 838 508	9 403 170	4 435 338	47.17	Non payment of debt
Fines	2 776 067	3 153 610	(377 543)	(11.97)	
Licensing & permits	5 125 526	4 836 280	289 246	5.98	
Revenue for agency services	9 975 171	9 513 100	462 071	4.86	
Government grants & subsidies – operating	187 746 364		187 746 364		
Government grants & subsidies – capital	497 543 020	726 246 000	(228 702 980)	(31.49)	Under spending on capital projects
Public contributions, donated and contributed property, plant and equipment	5 177 293	13 839 000	(8 661 707)	(62.59)	Under spending on capital projects
Other revenue	49 370 649	240 079 400	(190 708 751)	(79.44)	Over budgeted
Total Revenue	1 331 491 536	1 547 999 390	(216 507 854)	(13.99)	
EXPENDITURE					
Employee related costs	239 111 789	241 687 930	(2 576 141)	(1.07)	
Remuneration of councillors	13 668 409	13 197 950	470 459	3.56	
Bad debts	20 000 000	20 000 000	0	-	
Collection costs	2 387 708	1 500 000	887 708	59.18	Under budgeting
Depreciation	79 925 025	62 570 000	17 355 025	27.74	GAMAP GRAP implementation
Repairs & maintenance	65 986 492	77 768 440	(11 781 948)	(15.15)	Budget control
Finance costs	14 554 690	14 825 000	(270 310)	(1.82)	
Bulk purchases	190 264 535	189 200 000	1 064 535	0.56	
Grants & subsidies paid	1 763 553	1 680 110	83 443	4.97	
General expenses	93 851 041	925 569 960	(831 718 919)	(89.86)	GAMAP GRAP implementation
Total Expenditure	721 513 242	1 547 999 390	(826 486 148)	(53.39)	
NET SURPLUS/(DEFICIT) FOR THE YEAR	609 978 294	-	609 978 294		

**APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL	85 263		85 263	104 000	(18 737)	(18.02)	
Executive & Council	85 263		85 263	104 000	(18 737)	(18.02)	Underspending/ contract less than budget amount
FINANCE & ADMINISTRATION	18 754 126		18 754 126	42 810 990	(24 056 864)	(56.19)	
Finance	93 413		93 413	100 000	(6 587)	(6.59)	Underspending/ contract less than budget amount
Information Technology	3 571 984		3 571 984	13 851 210	(10 279 226)	(74.21)	Underspending/ contract less than budget amount
Human Resources	7 075		7 075	20 000	(12 925)	(64.63)	Underspending/ contract less than budget amount
Property Services	7 458 917		7 458 917	15 168 780	(7 709 863)	(50.83)	Underspending/ contract less than budget amount
Other & Admin	7 622 737		7 622 737	13 671 000	(6 048 263)	(44.24)	Underspending/ contract less than budget amount
PLANNING & DEVELOPMENT	43 612 501		43 612 501	138 675 330	(95 062 829)	(68.55)	
Planning & Development	43 612 501		43 612 501	138 675 330	(95 062 829)	(68.55)	Underspending/ contract less than budget amount
ROAD TRANSPORT	32 258 070		32 258 070	84 358 070	(52 100 000)	(61.76)	
Vehicle Licensing & Testing				305 000	(305 000)	(100.00)	Project abandoned
Roads & Stormwater	32 258 070		32 258 070	84 053 070	(51 795 000)	(61.62)	Underspending/ contract less than budget amount
Roads Other							
HEALTH	8 675		8 675	17 000	(8 325)	(48.97)	
Clinics	8 675		8 675	17 000	(8 325)	(48.97)	Underspending/ contract less than budget amount
Health Other							
COMMUNITY & SOCIAL	3 759 982		3 759 982	7 893 830	(4 133 848)	(52.37)	
Libraries & Archives	2 958 035		2 958 035	4 179 830	(1 221 795)	(29.23)	Underspending/ contract less than budget amount
Museums	88 226		88 226	993 000	(904 774)	(91.12)	Underspending/ contract less than budget amount
Community Halls & Facilities				45 000	(45 000)	(100.00)	Project abandoned
Cemeteries & Crematoriums	59 235		59 235	516 000	(456 765)	(88.52)	Underspending/ contract less than budget amount
Other Facilities	654 486		654 486	2 160 000	(1 505 514)	(69.70)	Underspending/ contract less than budget amount
PUBLIC SAFETY	6 428 436		6 428 436	7 945 390	(1 516 954)	(19.09)	
Police	1 802 986		1 802 986	3 412 960	(1 609 974)	(47.17)	Underspending/ contract less than budget amount
Fire	3 357 090		3 357 090	3 157 430	199 660	6.32	Contract amount more than budget amount
Other	1 268 360		1 268 360	1 375 000	(106 640)	(7.76)	Underspending/ contract less than budget amount
SPORT & RECREATION	398 481 774		398 481 774	628 670 330	(230 188 556)	(36.62)	
Sport & Recreation	398 481 774		398 481 774	628 670 330	(230 188 556)	(36.62)	Underspending/ contract less than budget amount
WASTE WATER MANAGEMENT	26 242 270		26 242 270	41 638 698	(15 396 428)	(36.98)	
Sewerage	26 242 270		26 242 270	41 588 698	(15 346 428)	(36.90)	Underspending/ contract less than budget amount
Public Toilets				50 000	(50 000)	(100.00)	Project abandoned
WASTE MANAGEMENT	829 190		829 190	5 886 000	(5 056 810)	(85.91)	
Solid Waste	829 190		829 190	5 886 000	(5 056 810)	(85.91)	Underspending/ contract less than budget amount
HOUSING							
Housing							
WATER	71 517 623		71 517 623	143 172 272	(71 654 649)	(50.05)	
Water Distribution	66 848 805		66 848 805	132 207 542	(65 358 737)	(49.44)	Underspending/ contract less than budget amount
Water Storage	4 668 818		4 668 818	10 964 730	(6 295 912)	(57.42)	Underspending/ contract less than budget amount
ELECTRICITY	32 131 112		32 131 112	65 003 280	(32 872 168)	(50.57)	
Electricity Distribution	31 313 839		31 313 839	63 929 910	(32 616 071)	(51.02)	Underspending/ contract less than budget amount
Street Lighting	817 273		817 273	1 073 370	(256 097)	(23.86)	Underspending/ contract less than budget amount
TOTAL	634 109 022		634 109 022	1 166 175 190	(532 066 168)	(45.62)	

**APPENDIX F
DISCLOSURE OF GRANTS AND SUBSIDIES**

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

Name of Grants		Quarterly receipts					Quarterly Expenditure for the Year					Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep	Dec	March	June	Total	Sep	Dec	March	June	Total					
Equitable Share	DPLG	49 133 225	49 133 225	49 133 225		147 399 675	49 133 225	49 133 225	49 133 225		147 399 675	No	147 400 000	None	Not Applicable	None
PTIF	NDT	20 000 000	10 000 000	20 000 000		50 000 000	2 166 226	3 566 009	3 147 857	13 064 400	21 944 492	No		None	Yes	None
NEP	DME	400 000	2 535 600	13 903 200		16 838 800	1 673 124	430 149	520 408	2 553 612	5 177 293	No	13 839 000	None	Yes	None
Financial Management Grant	National Treasury	500 000				500 000		342 710		400 267	742 977	No	500 000	None	Yes	None
MIG Grants	DPLG	50 092 905	27 000 000	29 799 513	750 000	107 642 418	8 494 549	9 710 892	12 769 814	44 012 513	74 987 768	No	90 099 000	None	Yes	None
2010 Stadium	DSR	92 606 840	97 577 060	282 541 100	54 600 000	527 325 000	78 511 006	135 197 284	64 282 740	114 559 958	392 550 988	No	333 321 000	None	Yes	None
Water	DWAF	5 467 396	3 207 000	3 258 000	2 907 000	14 839 396	1 511 861	3 453 187	1 371 295	2 970 861	9 307 204	No		None	Yes	None
HA	NDH		3 000 000			3 000 000				2 430 092		No		None	Yes	None
CC	DPLG				19 588 000	19 588 000	5 512 951	19 039 579	7 455 689		32 008 219	No		None		
		218 200 366	192 452 885	398 635 038	77 845 000	887 133 289	147 002 942	220 873 035	138 681 028	179 991 703	686 548 708	0	585 159 000			