

POLOKWANE LOCAL MUNICIPALITY



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

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APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 42, 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.

MS MABOTJA
ACTING MUNICIPAL MANAGER

DATE

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

		2010	2009
	Note	R	R
NET ASSETS & LIABILITIES			
Net Assets		4 912 107 037	4 496 367 618
Housing development fund	2	10 968 651	10 900 596
Reserves	3	1 326 170 103	1 326 170 103
Revaluation Reserve		1 326 170 103	1 326 170 103
Accumulated surplus/(deficit)		3 574 968 283	3 159 296 919
Non-current liabilities			
Long term liabilities	4	47 907 792	781 995
Current liabilities			
		351 390 086	561 810 347
Consumer deposits	5	51 836 858	46 216 749
Trade and other payables	6	209 749 272	200 197 918
Provisions	38	7 908 212	6 973 945
Unspent conditional grants and receipts	7	79 021 541	215 880 890
Current portion of long term liabilities	4	2 874 203	92 540 846
Total Net Assets and Liabilities		<u>5 311 404 915</u>	<u>5 058 959 959</u>
ASSETS			
Non-current assets			
		5 068 048 882	4 366 182 133
Property, plant & equipment	8	4 927 930 680	4 143 286 479
Investment property	39	125 510 500	125 510 500
Investments	9	0	82 392 981
Non-current receivables	10	14 607 702	14 992 173
Current assets			
		243 356 033	692 777 826
Inventory	11	52 629 647	45 162 700
Short-term investments	9	58 999 800	272 138 301
Consumer debtors	12	153 650 081	122 471 551
Other receivables	13	6 033 929	4 648 440
VAT	14	43 055 833	55 780 835
Current portion of long-term receivables	10	24 636 986	12 443 918
Cash and cash equivalents	15	(95 650 243)	180 132 081
Total Assets		<u>5 311 404 915</u>	<u>5 058 959 959</u>

POLOKWANE MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
REVENUE			
Property rates	16	173 595 064	159 348 303
Service charges	17	536 043 660	424 420 435
Rental of facilities and equipment		6 051 734	4 790 960
Investment Revenue – external investments	20	31 683 943	63 842 963
Interest earned – outstanding debtors		17 101 099	20 452 404
Fines		2 830 817	2 713 734
Licenses and permits		7 793 005	6 962 871
Income for agency services		9 769 284	12 267 107
Government grants and subsidies received - operating	18	364 356 044	205 021 421
Government grants and subsidies received - capital	18	329 976 994	756 337 412
Public contributions, donated and contributed property, plant and equipment	19	30 217 440	31 091 119
Other revenue	21	65 137 656	45 315 905
Total Revenue		<u>1 574 556 741</u>	<u>1 732 564 634</u>
EXPENDITURE			
Employee related costs	22	330 696 697	265 640 569
Remuneration of councillors	23	18 196 402	16 914 554
Bad debts		0	62 424 588
Collection costs		1 692 446	1 648 188
Depreciation		107 768 136	107 330 528
Repairs and maintenance		86 782 166	72 081 089
Finance cost	24	23 626 735	16 032 429
Bulk purchases	25	314 831 255	244 574 707
Grants and subsidies paid	26	220 000	220 000
General expenses	27	250 229 020	145 433 930
Total Expenditure		<u>1 134 042 857</u>	<u>932 300 582</u>
NET SURPLUS/(DEFICIT) FOR THE YEAR		<u>440 513 884</u>	<u>800 264 052</u>

POLOKWANE MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Housing Fund	Other reserves	Revaluation Reserve	Total	Accumulated Surplus/ (Deficit)	Total
			R	R		R	R
Balance at 30 June 2007		10 736 726	876 781 815	-	887 518 541	639 289 061	1 526 807 602
Changes in accounting policy			(876 781 815)		(876 781 815)	876 781 815	-
Correction of prior period error	28				-	141 465 026	141 465 026
Restated balance		10 736 726	-	-	10 736 726	1 657 535 902	1 668 272 628
Surplus/(deficit) on revaluation of property, plant and equipment			-	1 326 170 103	1 326 170 103	-	1 326 170 103
Transfers to/ from accumulated surplus/(deficit)		71 495		-	71 495	129 766 331	129 837 826
Surplus/(deficit) for the period					-	589 063 848	589 063 848
Balance at 30 June 2008		10 808 221	-	1 326 170 103	1 336 978 324	2 376 366 081	3 713 344 405
Surplus/(deficit) on revaluation of property, plant and equipment					-	-	-
Net gains and losses not recognised in the statement of financial performance					-	-	-
Transfers to/ from accumulated surplus/(deficit)		92 375			92 375	(17 333 214)	(17 240 839)
Surplus/(deficit) for the period					-	800 264 052	800 264 052
Balance at 30 June 2009		10 900 596	0	1 326 170 103	1 337 070 699	3 159 296 919	4 496 367 618
Surplus/(deficit) on revaluation of property, plant and equipment					-	-	-
Net gains and losses not recognised in the statement of financial performance					-	(14 832 117)	(14 832 117)
Transfers to/ from accumulated surplus/(deficit)		68 055			68 055	(10 010 403)	(9 942 348)
Surplus/(deficit) for the period					-	440 513 884	440 513 884
Balance at 30 June 2010		10 968 651	0	1 326 170 103	1 337 138 754	3 574 968 283	4 912 107 037 #

POLOKWANE MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash received from ratepayers, government and others		2 222 911 346	2 777 687 596
Cash paid to suppliers and employees		<u>(1861 140 689)</u>	<u>(1964 087 156)</u>
Cash generated from / (utilized in) operations	29	361 770 657	813 600 440
Interest received		31 683 943	63 842 963
Interest paid		<u>(23 626 735)</u>	<u>(16 032 429)</u>
Net cash from operating activities		<u>369 827 865</u>	<u>861 410 974</u>
CASH FLOW FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(897 181 304)	(1051 250 763)
Proceeds on disposal of property, plant and equipment		4 768 967	
(Increase)/decrease in non-current receivables		(11 808 597)	(610 896)
(Increase)/decrease in non-current investments		82 392 981	(11 820 328)
(Increase)/decrease in current investments		213 138 501	48 369 253
Net cash from investment activities		<u>(608 689 452)</u>	<u>(1015 312 734)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in long term loans		(42 540 846)	0
Increase/(decrease) in deposits		5 620 109	7 033 766
Net cash from financing activities		<u>(36 920 737)</u>	<u>7 033 766</u>
Increase/(decrease) in cash and cash equivalents		<u>(275 782 324)</u>	<u>(146 867 994)</u>
Cash and cash equivalents at beginning of the year		180 132 081	327 000 075
Cash and cash equivalents at end of the year		(95 650 243)	180 132 081

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

POLOKWANE MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

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

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

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

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

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

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

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

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

1.5 EFFECTIVE

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

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

Impact on the municipality's financial statements once implemented:
There is no impact on financial statement on implementations

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

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

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

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

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

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

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

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

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2.4 DEPRECIATION AND IMPAIRMENT

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

Infrastructure	
Roads and Paving	30
Pedestrian Malls	5
Electricity	20-30
Water	15-20
Sewerage	15-20
Housing	30
Refuse sites	15
Community	
Recreational Facilities	20 to 30
Cemeteries	30
Halls	30
Libraries	30
Parks and gardens	10 to 30
Fire services	30
Clinics	30
Sport fields	20 to 30
Other assets	
Motor vehicles	5
Plant and equipment	2 to 15
Security measures	3 to 10
Buildings	30
IT equipment	3 to 5
Office equipment	3 to 7
Specialised vehicles	10

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

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

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

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

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

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVESTMENT PROPERTY

4.1 INITIAL RECOGNITION

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

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

The cost of self-constructed investment property is the cost at date of completion.

4.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

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

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5 BIOLOGICAL ASSETS

5.1 INITIAL RECOGNITION

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

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

5.2 SUBSEQUENT MEASUREMENT

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

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

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

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

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

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value. An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

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

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

6 NON-CURRENT ASSETS HELD FOR SALE

6.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

6.2 SUBSEQUENT MEASUREMENT

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

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

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

7 INVENTORIES

7.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

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

7.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

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

8.2.1 INVESTMENTS

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

8.2.2 TRADE AND OTHER RECEIVABLES

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

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

8.2.3 TRADE PAYABLES AND BORROWINGS

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

8.2.4 CASH AND CASH EQUIVALENTS

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

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

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9 INVESTMENTS IN ASSOCIATES

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

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

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

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

10 UNAUTHORISED EXPENDITURE

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

11 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 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.

13 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

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

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

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

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14 LEASES

14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

15 REVENUE

15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

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

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

15.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

17 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The municipality contributes towards retirement

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

18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

19 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:
- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
2. HOUSING DEVELOPMENT FUND	10 968 651	10 900 596
Unappropriated Surplus	7 988 680	7 920 625
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	2 525 476	2 671 199
Bank and cash	7 935 454	7 721 676
	<u>10 968 651</u>	<u>10 900 596</u>

3. RESERVES		
Capital Replacement Reserve	0	227 931 145
Collapsing of reserve and transfer to accumulated surplus	0	(227 931 145)
	-	-
Capitalisation Reserve	0	98 305 255
Collapsing of reserve and transfer to accumulated surplus	0	(98 305 255)
	-	-
Government Grants Reserve	0	1 593 470 629
Collapsing of reserve and transfer to accumulated surplus	0	(1593 470 629)
	-	-
Donations and Public Contribution Reserve	0	60 209 630
Collapsing of reserve and transfer to accumulated surplus	0	(60 209 630)
	-	-
Revaluation Reserve	1 326 170 103	1 326 170 103
Collapsing of reserve and transfer to accumulated surplus		
	-	-
Self Insurance Reserve	0	15 626 030
Collapsing of reserve and transfer to accumulated surplus	0	(15 626 030)
	-	-
	<u>1 326 170 103</u>	<u>1 326 170 103</u>

The impact on Accumulated surplus is as follows:

Accumulated surplus Balance: 30 June 2007	0	1 526 807 602
Collapsing of reserve and transfer to accumulated surplus: prior adju	0	1 435 572 643
Collapsing of reserve and transfer to accumulated surplus: Current a	0	1 995 542 689
Total impact on accumulated surplus	0	4 957 922 934

4. LONG TERM LIABILITIES		
Local Registered Stock loans	781 995	829 995
Annuity loans	50 000 000	92 492 846
	<u>50 781 995</u>	<u>93 322 841</u>
Less: Current portion transferred to current		
Local Registered Stock loans	0	0
Annuity loans	(2 874 203)	(92 540 846)
	<u>47 907 792</u>	<u>781 995</u>

Refer to Appendix A for more detail on long term liabilities.

5. CONSUMER DEPOSITS		
Water and electricity	<u>51 836 858</u>	<u>46 216 749</u>
No interest is paid on consumer deposits.		
Guarantees held in lieu of electricity and water deposits	<u>9 143 371</u>	<u>8 813 881</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
6. TRADE AND OTHER PAYABLES		
Trade Creditors	88 834 949	101 018 729
Amounts received in advance	14 372 751	14 579 745
Other	4 348 435	7 305 357
Guarantees	261 795	261 795
Staff leave	41 727 104	30 814 491
Retentions	60 204 230	46 217 792
	<u>209 749 272</u>	<u>200 197 918</u>
7. CONDITIONAL GRANTS FROM GOVERNMENT		
Local Government Restructuring grant	953 927	953 927
Finance Management grant	0	0
PTIF	11 528 189	2 225 602
2010 Stadium grant	0	128 455 004
Municipal infrastructure grant	28 927 683	35 906 043
Limpopo Provincial Government	2 949 710	2 949 710
DWAF refurbishment	16 191 147	8 621 171
NERSA	17 447 948	7 058 388
Housing Accreditation grant	318 349	1 697 284
Local Government Transitional grant	649 874	649 874
Municipal Systems Improvement grant	0	0
Provincial LED projects	54 714	54 714
National Heritage Council	0	50 000
Capricorn District Municipality	0	2 259 173
2010 Host City Operating Grant	0	25 000 000
	<u>79 021 541</u>	<u>215 880 890</u>
See note 18 for reconciliation of grants. These amounts are invested until utilised.		

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

8 PROPERTY, PLANT & EQUIPMENT

	Land and Buildings R	Infrastructure R	Other and Movable R	Heritage R	Biological R	Intangible R	Total R
Carrying values at 1 July 2008	1 302 231 405	1 815 630 862	63 721 831	2 862 537	0	6 145 224	3 190 591 859
Cost	1 330 589 679	1 872 507 111	71 883 191	2 862 537		6 175 109	3 284 017 627
Accumulated depreciation – cost	(28 358 274)	(56 876 249)	(8 161 360)	0	0	(29 885)	(93 425 768)
Acquisitions	12 697 842	259 914 010	33 770 585	1 221 338		16 541 440	324 145 215
Capital under construction	513 959 628	199 185 054	210 885	1 044 920		12 705 061	727 105 548
Depreciation – based on cost	(35 279 141)	(60 884 251)	(10 472 321)			(694 815)	(107 330 528)
Game count					8 774 385		8 774 385
Carrying value of disposals	0	0	0	0	0	0	0
Cost							0
Accumulated depreciation							0
Other movements							0
Carrying values at 30 June 2009	1 793 609 734	2 213 845 675	87 230 980	5 128 795	8 774 385	34 696 910	4 143 286 479
Cost	1 857 247 149	2 331 606 175	105 864 661	5 128 795	8 774 385	35 421 610	4 344 042 775
Accumulated depreciation – cost	(63 637 415)	(117 760 500)	(18 633 681)	0	0	(724 700)	(200 756 296)
Acquisitions	376 503 883	86 622 058	32 797 060	304 641		12 074 918	508 302 560
Capital under construction	26 196 264	349 024 144	9 650 870	2 995 184		1 012 282	388 878 744
Depreciation – based on cost	(39 192 577)	(52 158 464)	(14 273 780)			(2 143 315)	(107 768 136)
Game count							0
Carrying value of disposals			(7 054 402)				(7 054 402)
Cost			2 285 435				2 285 435
Accumulated depreciation							0
Other movements	2 244 816	9 261 199	(210 884)	(316 604)		(10 978 527)	0
Carrying values at 30 June 2010	2 159 362 120	2 606 594 612	110 425 279	8 112 016	8 774 385	34 662 268	4 927 930 680
Cost	2 262 192 112	2 776 513 576	141 047 305	8 112 016	8 774 385	37 530 283	5 234 169 677
Accumulated depreciation – cost	(102 829 992)	(169 918 964)	(30 622 026)	0	0	(2 868 015)	(306 238 997)

All assets were revalued by using depreciated replacement values. The effective date of the revaluation was 1 July 2008.

Included under PPE - Land and buildings, are buildings to the amount of R7 554 992 which is regarded as investment property. See note 39.

Refer to Appendix B for more detail on property, plant & equipment, including those in the course of construction.

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
9. INVESTMENTS		
Long Term Fixed Deposits		
ABSA Bank	0	81 721 250
Endowment Policy	0	671 731
	0	82 392 981
Short Term Fixed Deposits		
ABSA Bank	0	55 535 219
First National Bank	0	50 533 390
Investec Bank	0	0
Nedbank	0	56 533 390
Standard Bank	58 999 800	109 536 302
	58 999 800	272 138 301
Total Investments	58 999 800	354 531 282
Council's valuation of investments	58 999 800	354 531 282

No investments have been written off during the year.

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

10. NON CURRENT RECEIVABLES		
Motor car loans	0	19 367
Housing selling scheme loans	2 525 476	2 671 199
Sport loans	1 020 215	1 190 907
Erven loans	24 446 249	12 301 870
Loan to Subsidiary - Polokwane Housing Association	11 252 748	11 252 748
	39 244 688	27 436 091
Less: current portion transferred to current receivables	24 636 986	12 443 918
Motor car loans	0	19 367
Housing selling scheme loans	164 436	130 001
Erven loans	24 384 350	12 202 708
Sport loans	88 200	91 842
	14 607 702	14 992 173

Motor car loans

Staff were previously entitled to car loans which attract interest at 7.5% per annum and which are repayable over a maximum period of 6 years. These loans were redeemed in the

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 2010

		2010 R	2009 R
10.	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.		
11.	INVENTORY		
	Consumable stores - at cost	48 961 426	40 649 665
	Unsold properties held for resale	3 246 426	4 230 637
	Water - at cost	421 795	282 398
		<u>52 629 647</u>	<u>45 162 700</u>
	Only properties listed under inventory which were sold during the year, were expensed. All purchased water inventory were capitalized, but only purification costs were capitalized i.r.o. non purchased water inventory		
12.	CONSUMER DEBTORS		
	Consumer Debtors	273 562 109	234 900 093
	Less Provision for bad debts	(106 736 120)	(109 127 774)
	Less contra debtors suspense account	(17 980 405)	(18 194 512)
	Plus outstanding RD cheques	4 804 497	14 893 744
		<u>153 650 081</u>	<u>122 471 551</u>
	Ageing of consumer debtors		
	Current (0-30 days)	76 655 733	52 052 688
	31-60 days	12 988 182	15 606 296
	61-90 days	10 461 038	12 634 575
	91-120 days	7 872 737	10 241 664
	120+ days	149 500 120	129 532 753
		<u>257 477 810</u>	<u>220 067 976</u>
	Consumer debtors per category		
	Government	29 976 730	27 514 456
	Business	77 676 476	67 843 836
	Individuals	140 838 884	118 814 987
	Other	8 985 720	5 894 697
		<u>257 477 810</u>	<u>220 067 976</u>
	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	109 127 774	46 815 696
	Contributions to provision		20 000 000
	Bad debts recovered/(written off) against provision	(319 631)	(112 510)
	Over provision previous year	(2 072 023)	42 424 588
	Balance at year end	<u>106 736 120</u>	<u>109 127 774</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		2010 R	2009 R
13.	OTHER RECEIVABLES		
	Other debtors	5 535 224	4 255 773
	Deposits	498 705	392 667
		<u>6 033 929</u>	<u>4 648 440</u>
14.	VAT		
	Vat refundable	<u>43 055 833</u>	<u>55 780 835</u>
	Vat is payable on an invoice basis.		
15.	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>112 670 896</u>	<u>86 009 730</u>
	Bank statement balance at end of year	<u>18 314 811</u>	<u>112 670 896</u>
	Cash book balance at beginning of year	<u>49 930 160</u>	<u>66 215 936</u>
	Cash book balance at end of year	<u>(96 027 207)</u>	<u>49 930 160</u>
	2010 Account		
	Standard Bank; Polokwane		
	Account number: 330535250		
	Bank statement balance at beginning of year	<u>128 455 604</u>	<u>256 463 872</u>
	Bank statement balance at end of year	<u>(70)</u>	<u>128 455 604</u>
	Cash book balance at beginning of year	<u>128 455 004</u>	<u>256 341 660</u>
	Cash book balance at end of year	<u>(70)</u>	<u>128 455 004</u>
	Housing Account		
	Standard Bank; Polokwane		
	Account number: 330535269		
	Bank statement balance at beginning of year	<u>1 697 284</u>	<u>4 443 241</u>
	Bank statement balance at end of year	<u>318 349</u>	<u>1 697 284</u>
	Cash book balance at beginning of year	<u>1 697 284</u>	<u>4 397 233</u>
	Cash book balance at end of year	<u>318 349</u>	<u>1 697 284</u>
	Other	14 925	10 873
	Petty cash	43 760	38 760
		<u>(95 650 243)</u>	<u>180 132 081</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
16. PROPERTY RATES		
Residential	91 730 067	82 734 175
Government	9 885 762	9 245 498
Commercial	68 179 032	63 464 900
Other	3 800 203	3 903 730
	<u>173 595 064</u>	<u>159 348 303</u>
VALUATIONS	R000's	R000's
Residential	1 283 668	1 220 646
Government	131 181	129 272
Commercial	723 877	680 006
Municipal	233 884	235 050
Other	573 963	342 584
	<u>2 946 573</u>	<u>2 607 558</u>

Valuations on land are performed every four years and the last general valuation come into effect on 1 July 2002. The basic rate for 2009/10 was 9.42c 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

17. SERVICE CHARGES		
Sale of electricity	357 565 576	270 574 605
Sale of water	105 586 573	86 814 368
Refuse removal	40 972 883	36 430 033
Sewerage and sanitation charges	31 918 628	30 601 429
	<u>536 043 660</u>	<u>424 420 435</u>

18. GOVERNMENT SUBSIDIES & GRANTS		
Operating Grants	364 356 044	205 021 421
Equitable share	246 638 411	188 536 883
Restructuring grant	0	0
Municipal systems improvement grant	400 000	1 315 770
Water services operating grant	20 806 000	11 411 000
Finance management grant	445 248	619 638
Capricorn district municipality	0	294 660
Limpopo provincial government	0	500 000
Municipal infrastructure grant	3 813 643	2 343 470
PTIF	35 930 806	
Local Government Housing	1 421 935	
National Heritage Council	100 000	
2010 Operating grant	54 800 000	
Capital Grants	329 976 994	756 337 412
2010 FIFA World Cup Stadium grant	150 173 972	430 650 702
Municipal infrastructural grant (MIG)	132 967 717	129 234 590
Finance management grant	304 752	4 417 899
Capricorn district municipality	2 259 174	1 940 826
Limpopo provincial government	0	16 746 107
Public transport infrastructure grant	40 912 606	172 942 459
EPWP	1 091 750	
DWAF refurbishment	2 267 024	404 829
Total Government Grants & Subsidies	<u>694 333 038</u>	<u>961 358 833</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
18. GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)		
18.1 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 R130.50 (2009: R120.00) which is funded from this grant		
18.2 Restructuring Grant		
Balance unspent at beginning of year	953 927	953 927
Current year receipts	-	-
Conditions met – transferred to revenue	<u>0</u>	<u>0</u>
Unspent amount transferred to liabilities	<u>953 927</u>	<u>953 927</u>
(see note 7)		
The grant was used for various restructuring initiatives.		
18.3 Finance Management Grant		
Balance unspent at beginning of year	0	4 537 537
Current year receipts	750 000	500 000
Conditions met – transferred to revenue	<u>(750 000)</u>	<u>(5 037 537)</u>
Unspent amount transferred to liabilities	<u>0</u>	<u>0</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.		
18.4 Water services grant		
Current year receipts	20 806 000	11 411 000
Conditions met – transferred to revenue	<u>(20 806 000)</u>	<u>(11 411 000)</u>
Unspent amount transferred to liabilities	<u>-</u>	<u>-</u>
(see note 7)		
The grant was utilised to subsidise water schemes transferred by DWAF.		
18.5 PTIF		
Balance unspent at beginning of year	27 225 601	31 961 061
Current year receipts	61 146 000	168 207 000
Conditions met – transferred to revenue	<u>(76 843 412)</u>	<u>(172 942 460)</u>
Unspent amount transferred to liabilities	<u>11 528 189</u>	<u>27 225 601</u>
(see note 7)		
The grant was used for public transport and non motorised transport infrastructure.		
18.6 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	0	915 770
Current year receipts	400 000	400 000.0
Conditions met – transferred to revenue	<u>(400 000)</u>	<u>-1 315 770.0</u>
Unspent amount transferred to liabilities	<u>0</u>	<u>0</u>
(see note 7)		
The purpose of the grant is for institutional systems. The grant was utilised.		

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
18. GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)		
18.7 2010 Stadium		
Balance unspent at beginning of year	128 455 004	256 341 660
Current year receipts	21 718 968	302 764 046
Conditions met – transferred to revenue	<u>(150 173 972)</u>	<u>(430 650 702)</u>
Unspent amount transferred to liabilities	<u>0</u>	<u>128 455 004</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.		
18.8 Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	35 906 043	60 895 102
Current year receipts	129 803 000	106 589 000
Conditions met – transferred to revenue	<u>(136 781 360)</u>	<u>(131 578 059)</u>
Unspent amount transferred to liabilities	<u>28 927 683</u>	<u>35 906 043</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		
18.9 Provincial Government		
Balance unspent at beginning of year	2 949 710	0
Current year receipts	0	29 027 617
Conditions met – transferred to revenue	<u>0</u>	<u>(26 077 907)</u>
Unspent amount transferred to liabilities	<u>2 949 710</u>	<u>2 949 710</u>
(see note 7)		
The grant was used to plan the construction of the convention centre.		
18.10 DWAF refurbishment		
Balance unspent at beginning of year	8 621 171	2 000 000
Current year receipts	9 837 000	7 026 000
Conditions met – transferred to revenue	<u>(2 267 024)</u>	<u>(404 829)</u>
Unspent amount transferred to liabilities	<u>16 191 147</u>	<u>8 621 171</u>
(see note 7)		
The grant was utilised to subsidise water schemes transferred by DWAF.		
18.11 2010 HOST CITY OPERATING GRANT		
Balance unspent at beginning of year	-	-
Current year receipts	54 800 000	0
Conditions met – transferred to revenue	<u>(54 800 000)</u>	<u>0</u>
Unspent amount transferred to liabilities	<u>0</u>	<u>0</u>
The grant was utilised to cover operational expenses associated with the hosting of the 2010 FIFA World Cup competition.		

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT		
19. NERSA		
Balance unspent at beginning of year	7 058 388	11 661 508
Current year receipts	40 607 000	26 488 000
Conditions met – transferred to revenue	<u>(30 217 440)</u>	<u>(31 091 120)</u>
Unspent amount transferred to liabilities	<u>17 447 948</u>	<u>7 058 388</u>
The grant was utilised to instal electricity infrastructure.		
20. INVESTMENT REVENUE		
EXTERNAL INVESTMENTS		
Current account	7 056 806	12 305 865
External investments	24 627 137	51 537 098
	<u>31 683 943</u>	<u>63 842 963</u>
21. OTHER REVENUE		
Building plan fees	2 705 133	2 958 552
Consumer Connection fees	8 056 747	7 706 799
Sale of erven	24 882 191	11 640 539
Surcharge excess	4 970 327	10 815 431
Royalties Silicon	1 060 369	1 505 911
Services contributions	2 728 010	1 007 055
Reconnection and notice fees	5 992 267	4 017 485
Refund Seta levy	423 837	1 624 192
Labotatory tests	1 445 333	
Stock gains	2 492 979	
Game sales	2 181 604	
Sundry income	8 198 858	4 039 940
	<u>65 137 656</u>	<u>45 315 904</u>
22. EMPLOYEE RELATED COSTS		
Employee related cost - Salaries and wages	197 022 800	153 861 620
Employee related cost - Social contributions	52 848 614	44 411 590
Travel, motor car, accomodation & other	19 054 783	17 454 972
Housing benefits and allowances	7 949 324	7 252 838
Overtime benefits	36 409 059	30 198 491
Leave reserve provision	16 067 534	7 976 320
Long term service awards	1 344 583	4 484 738
	<u>330 696 697</u>	<u>265 640 569</u>
There were no advances paid to employees. Loans to employees is set out in Note 10.		
Municipal Manager		
Annual remuneration	456 826	671 101
Allowances	112 000	174 131
Council Contributions	120 457	163 671
	<u>689 283</u>	<u>1 008 903</u>
The post was vacant for 4 months of the year.		
Chief Financial Officer		
Annual remuneration	727 560	221 702
Allowances	72 000	24 000
Council Contributions	173 039	54 298
	<u>972 599</u>	<u>300 000</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
Director Planning		
Annual remuneration	517 518	242 617
Allowances	168 000	89 000
Council Contributions	128 628	65 141
	<u>814 146</u>	<u>396 758</u>
The post was vacant for 5 months of the year.		
Director Technical Services		
Annual remuneration		
Allowances		
Council Contributions		
	<u>0</u>	<u>0</u>
The post was vacant as from July 2008.		
22. EMPLOYEE RELATED COSTS (CONT)		
Director Community Services		
Annual remuneration	462 583	445 099
Allowances	216 000	168 000
Council Contributions	139 792	133 145
	<u>818 375</u>	<u>746 244</u>
Director Corporate Services		
Annual remuneration		
Allowances		
Council Contributions		
	<u>0</u>	<u>0</u>
The post was vacant as from July 2007.		
Director 2010		
Annual remuneration	520 938	453 156
Allowances	168 000	163 748
Council Contributions	144 093	125 429
	<u>833 031</u>	<u>742 333</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.		
23. REMUNERATION OF COUNCILLORS		
Executive Mayor	710 756	662 855
Speaker	558 605	521 501
Chief Whip	524 855	489 122
Mayoral Committee members	3 601 267	3 393 980
Councillors	12 800 919	11 847 096
	<u>18 196 402</u>	<u>16 914 554</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.		
24. FINANCE COST		
Local Registered Stock loans	32 692	153 000
Annuity loans	23 594 043	15 879 429
	<u>23 626 735</u>	<u>16 032 429</u>
25. BULK PURCHASES		
Electricity	229 752 004	164 163 959
Water	85 079 251	80 410 748
	<u>314 831 255</u>	<u>244 574 707</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	R	R
26. GRANT AND SUBSIDIES PAID		
Housing Association	0	0
Animal care : SPCA	220 000	220 000
	<u>220 000</u>	<u>220 000</u>
27. GENERAL EXPENSES		
Project Management	0	2 343 470
Free basic services	13 346 554	7 421 102
Printing and stationery	3 018 491	2 554 241
Rental equipment	9 051 080	6 979 892
Stores and material	3 594 450	2 361 334
Meter reading	3 366 107	2 533 061
Research and development	2 532 440	13 934 456
Training	1 927 322	4 633 825
Postage and telegram	1 862 380	1 484 511
Legal expenses	2 712 444	1 714 679
Subsistence and travelling	4 729 772	4 248 951
Security services	11 080 346	9 124 227
Telephone costs	5 500 128	5 856 732
Garden services	2 250 028	2 337 476
Awareness campaigns	59 270	82 007
Insurance	9 336 419	6 594 690
Levy Seta training	2 552 117	1 955 274
Street cleaning	7 843 641	4 420 814
Cost of unsold property	984 211	4 966 929
Provision for rehabilitation of landfill sites	251 792	2 517 920
Fuel and oil	8 955 203	13 969 955
Bank charges	1 419 852	
Festivals	1 554 808	
2010 Operating expenses	95 656 135	
Subscription fees	2 426 556	
Valuation roll	7 011 477	
Waste disposal	4 605 931	
Other	42 600 067	43 398 383
	<u>250 229 020</u>	<u>145 433 929</u>
28. CORRECTION OF ERROR		
<p>During the year ended 30 June 2010 corrections from prior year were made and appropriated to the Accumulated Surplus Account. Details of the appropriations are as follows:</p>		
Land and buildings		
Infrastructure assets		
Intangible assets		
Movable & other assets		
Effect on surplus/(deficit) for the year	<u>0</u>	<u>0</u>
<p>Sales i.r.o water and electricity for the period 16-30 June 2010 were recognised as revenue and also added to outstanding consumer debtors.</p>		
Water sales	3 753 958	3 557 628
Electricity sales	12 330 341	11 274 489
Effect on surplus/(deficit) for the year	<u>16 084 299</u>	<u>14 832 117</u>
Nett effect on surplus/(deficit) for the year	<u>16 084 299</u>	<u>14 832 117</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
29. CASH GENERATED FROM/(UTILISED IN) OPERATIONS		
Net surplus for the year	440 513 884	800 264 052
Adjustment for:		
Correction of prior year error	(24 774 464)	(18 010 438)
Depreciation charges	107 768 136	107 330 528
Contributions to bad debt	0	62 312 078
Contribution to Reserve	0	2 924 921
Interest received	(31 683 943)	(63 842 963)
Interest paid	23 626 735	16 032 429
Operating surplus before working capital changes	515 450 348	907 010 607
(Increase)/decrease in inventories	(7 466 947)	11 219 109
(Increase)/decrease in debtors	(31 178 530)	(24 398 468)
(Increase)/decrease in other debtors	(1 385 489)	6 274 607
Increase/(decrease) in conditional grants	(136 859 349)	(158 487 496)
Increase/(decrease) in creditors	9 551 354	84 011 820
Increase/(decrease) in provisions	934 267	6 973 945
(Increase)/decrease in VAT	12 725 002	(19 003 684)
Cash generated by operations	<u>361 770 656</u>	<u>813 600 440</u>
30. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT. 2003		
30.1 Contribution to SALGA		
Council membership fees payable	1 685 865	1 084 780
Amount paid current year	<u>(1 685 865)</u>	<u>(1 084 780)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
30.2 Audit Fees		
Current year audit fee	1 510 210	1 839 694
Amount paid current year	<u>(1 510 210)</u>	<u>(1 839 694)</u>
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
30.3 VAT		
VAT is payable on the invoice basis. VAT input receivables and VAT output receivable are shown in note 14. All VAT returns have been submitted by the due date throughout the year.		
30.4 Pay as You Earn (PAYE)		
Current payroll deductions	39 109 530	27 768 511
Amount paid current year	<u>(39 109 530)</u>	<u>(27 768 511)</u>
Balance unpaid	<u>-</u>	<u>-</u>
30.5 Unemployment Insurance Fund (UIF)		
Current payroll deductions	3 589 908	2 813 171
Amount paid current year	<u>(3 589 908)</u>	<u>(2 813 171)</u>
Balance unpaid	<u>-</u>	<u>-</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
30. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (CONT)		
30.6 Medical Aid		
Current payroll deductions	20 461 936	11 174 666
Amount paid current year	<u>(20 461 936)</u>	<u>(11 174 666)</u>
Balance unpaid	<u>-</u>	<u>(0)</u>
30.7 Pension Fund		
Current payroll deductions	50 329 279	30 778 212
Amount paid current year	<u>(50 329 279)</u>	<u>(30 778 212)</u>
Balance unpaid	<u>-</u>	<u>0</u>
31. INVESTMENT PROPERTY		
Cost	125 510 500	125 510 500
Correction of error		
Change in accounting policy		
Acquisitions		
Disposal		
Impairment		
TOTAL	<u>125 510 500</u>	<u>125 510 500</u>
RECONCILIATION OF INVESTMENT PROPERTY		
Opening balance 1 July	125 510 500	125 510 500
Additions	-	-
Disposal	-	-
Impairment	-	-
Closing balance at 30 June	<u>125 510 500</u>	<u>125 510 500</u>
The rental income generated from the investment property is R 4.8 million The investment property comprises mostly land leased for agricultural purposes		
32. COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	<u>420 576 696</u>	<u>471 596 000</u>
The expenditure will be financed from:		
- Capital Replacement Reserve	137 110 130	167 553 000
- Government Grants	283 466 566	304 043 000
	<u>420 576 696</u>	<u>471 596 000</u>

POLOKWANE MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010 R	2009 R
33. CONTINGENT LIABILITIES		
33.1 Heque Investments (Purchase of Farm Palmiefontein) Plaintiff ceased High Court litigation following cost orders against them - want to negotiate on sale. Appointment of valuer by Properties section awaited for new valuation on property pending negotiation of sale	400 000	400 000
33.2 Kenro Construction CC Dispute regarding specifications in tender	20 000	20 000
33.3 M C Makgaba Claim for damages against municipality caused by alleged negligence of council official.	30 000	30 000
33.4 Gazani Buiding Contractors and Iliad Africa t/a Builder Market Taxation of bills cost awaited.	35 000	35 000
33.5 Braam Pretorius Damages claim for injuries against municipality following incident at Florapark Dam.	250 000	250 000
33.6 Federated Timbers Phekgoga Constuction - application for summary judgement on strength of allegation of non-payment in terms of cession document.	70 000	70 000
33.7 Oscon Domestic Installations Dispute regarding awarding of tender.	300 000	300 000
33.8 Mokone Mokone Attorneys. Claiming payment of purchase price in transfer of Erf Finalisig documentation in opposition of appeal proceeding lodged by Mokone Mokone Attorneys in Supreme Court of Appeal.	-	-
33.9 Federated Timbers 3rd respondent for payment of cession.	210 000	210 000
33.10 MGN Joint Venture Arbitration pending	250 000	250 000
33.11 Matrix Project Developers Summons for payment of alleged outstanding accounts	28 000 000	28 000 000
33.12 PC Rakgoale Claim for damages caused.	100 000	100 000
33.13 K Yendall Seeks payment for alleged outstanding pension benefits	160 000	160 000
33.14 Blue Sands Trading Claim for payment in terms of session.	1 300 000	1 300 000
33.15 Eli Stroh & Mbhovu JV Application against awarding of tender.	250 000	250 000
33.16 Limpopo tribunal hearing Limpopo tribunal hearing on objection to Ilypark extension 49	850 000	850 000
33.17 Linchi property consultants Cancellation of contract by municipality upheld by court	300 000	300 000
33.18 Weltevreden landfill site Possible eviction order against illegal squatters	600 000	
33.19 T T Sekoati Claim for alleged acting allowance against Council	20 000	
33.20 OA International Claim of alledged arrear consulting fees	100 000	
33.21 Davel Planers Appeal against LUMC resolution i.t.o clause 21 application.	50 000	
33.22 Various property owners Legal action taken against 23 property owners allowing illegal land uses The above legal matters are ongoing and have not yet been finalised.	75 000	

**UNAUTHORISED, IRREGULAR,
FRUITLESS AND WASTEFUL
35 EXPENDITURE DISALLOWED**

	2010	2009
35.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	151 281 000	151 281 000
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>151 281 000</u>	<u>151 281 000</u>

35.2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance -	909 100	
Fruitless and wasteful expenditure current year	-	909 100
Condoned or written off by Council	-	-
To be recovered – contingent asset	(909 100)	-
Fruitless and wasteful expenditure awaiting condonement	<u>-</u>	<u>909 100</u>

This relate to the amount paid to Linchi property consultants for preparation of valuation roll

35.3 Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	325 126	
Mayor over payment		12 030
Fruitless and wasteful expenditure current - Traditional	92 077	92 019
Fruitless and wasteful expenditure current year-council	-	
Overpayment Councillors	-	103 212
Underpayment Councillors	-	(58 029)
Overpayment S57 Managers	-	175 894
Condoned or written off by Council	(92 019)	-
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	<u>325 184</u>	<u>325 126</u>

Section 81(5)(a)(i) and (ii) of the Municipal structures Act 117 of 1998, which deals with the participation of traditional leaders states:

Traditional leader who participate in the proceedings of a municipal council is entitled to payment of out of pocket expenses in respect of such participation; the municipality remunerated five traditional leaders a total amount of R 92 019 during 2008/9 and R 92 077 during the 2009/10 financial year. Such expenditure is deemed to be irregular in terms of section 1 of the MFMA. There was also over and underpayment of councillors remuneration as disclosed above.

Section 57 Managers received increases during the year without signing performance contracts. These increases deemed to be irregular expenditure.

36 RETIREMENT BENEFIT INFORMATION

36.1 Defined contribution plan

The following are defined contribution plans:
post-employment medical care benefit.
These contributions have been expensed amounting to:

<u>3 751 264</u>	<u>3 205 615</u>
------------------	------------------

37 INVESTMENT IN MUNICIPAL ENTITIES

Issued share capital	100	100
Percentage owned by Council (%)	100%	100%
Indebtness of Municipal Entities	11 252 748	11 252 748
Dividends received	-	-
Management fess received	-	-
Administration fees received	-	-

The above is the information pertaining to Polokwane Housing Association which is owned and controlled by the Municipality

38 Provisions

Provision for rehabilitation of landfill sites	2 769 712	2 517 920
Provision for long service awards	5 138 500	4 456 025
Total	7 908 212	6 973 945

39 Investment property

Cost of land	125 510 500	125 510 500
Correction of error		-
Change in accounting policy		-
Acquisitions		-
Disposal		-
Impairment		-
TOTAL	125 510 500	125 510 500

Cost of buildings	7 554 992	7 959 434
Correction of error		
Change in accounting policy		
Acquisitions		
Disposal		
Impairment		(404 442)
TOTAL	7 554 992	7 554 992

RECONCILIATION OF INVESTMENT PROPERTY

Opening balance 1 July	133 065 492	133 469 934
Additions	-	-
Disposal	-	-
Impairment	-	(404 442)
Closing balance at 30 June	133 065 492	133 065 492

The rental income generated from the investment property is R 6.0 million
The investment property comprises of dwellings and land leased for agricultural purposes.

40 RISK MANAGEMENT

40.1 Maximum credit risk exposure

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are

Financial assets exposed to credit risk at year end were as follows:

Investment in Standard Bank	58 999 800	272 138 301
Trade and other receivables	137 565 782	122 471 551
	196 565 582	394 609 852

These balances represent the maximum exposure to credit risk.

40.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Borrowings	47 866 125	781 995
Trade and other payables	209 749 270	200 197 918
	257 615 395	200 979 913

Ratification of deviations from breaches

40.4 in procurement processes

Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances.

171 577 853

**APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010**

External Loans	Loan No.	Redeemable	Balance at 30 June 2009	Received during the period	Redeemed or written off during the period	Balance at 30 June 2010
			R	R	R	R
LONG TERM LOANS						
Stock Loan@10%	506	2009/10	3 000		3 000	0
Stock Loan@10%	507	2009/10	45 000		45 000	0
Stock Loan@10%	508	2011/12	15 400			15 400
Stock Loan@10%	509	2011/12	41 667			41 667
Stock Loan@10%	513	2011/12	8 333			8 333
Stock Loan@10%	510	2013/14	53 333			53 333
Stock Loan@10%	511	2013/14	30 000			30 000
Stock Loan@10%	512	2013/14	30 000			30 000
Stock Loan@10%	514	2014/15	100 000			100 000
Stock Loan@10%	515	2014/15	10 000			10 000
Stock Loan@10%	516	2014/15	22 000			22 000
Stock Loan@10%	517	2014/15	83 333			83 333
Stock Loan@10%	523	2014/15	14 667			14 667
Stock Loan@10%	518	2015/16	7 799			7 799
Stock Loan@10%	519	2015/16	8 633			8 633
Stock Loan@10%	520	2015/16	40 000			40 000
Stock Loan@10%	522	2015/16	6 829			6 829
Stock Loan@10%	524	2015/16	90 000			90 000
Stock Loan@10%	525	2015/16	200 000			200 000
Stock Loan@10%	527	2016/17	20 000			20 000
			829 995	0	48 000	781 995
ANNUITY LOAN						
ANNUITY LOAN @13.65%	404	2009/10	92 492 846		92 492 846	0
ANNUITY LOAN @ 11.52%	1	2019/20		50 000 000		50 000 000
			92 492 846	50 000 000	92 492 846	50 000 000
Total External Loans			93 322 841	50 000 000	92 540 846	50 781 995

**APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2010**

	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	
LAND	247 326 386	647 087	1 733 677	0	249 707 150	0	0	0	0	249 707 150
Land	247 326 386	647 087	1 733 677		249 707 150				0	249 707 150
BUILDINGS	1 612 165 580	375 856 796	24 462 587	0	2 012 484 962	63 637 415	39 192 577	0	102 829 992	1 909 654 970
Dwellings	31 350 894		400 306		31 751 200	2 225 754	988 852		3 214 606	28 536 594
Non Residential	1 580 814 685	375 856 796	24 062 282		1 980 733 762	61 411 660	38 203 726		99 615 386	1 881 118 376
INFRASTRUCTURE	2 340 867 374	86 622 057	349 024 144	0	2 776 513 576	117 760 500	52 158 464	0	169 918 964	2 606 594 611
Electricity reticulation	573 382 608	29 943 641	67 672 585		670 998 834	27 077 911	13 795 819		40 873 730	630 125 104
Roads, pavements, bridges & stormwater	1 190 546 355	46 164 727	135 667 996		1 372 379 078	67 706 433	27 570 252		95 276 686	1 277 102 392
Water reservoirs & reticulation	362 400 115	958 862	77 609 698		440 968 675	13 914 273	6 997 184		20 911 456	420 057 218
Sewerage purification & reticulation	208 500 760	6 639 836	66 236 904		281 377 500	8 841 915	3 657 071		12 498 986	268 878 513
Solid Waste	4 454 896	2 914 991	1 010 120		8 380 007	10 231	46 474		56 704	8 323 302
Cemetaries	1 582 641		826 842		2 409 483	209 737	91 664		301 401	2 108 081
MOVABLE & OTHER ASSETS	105 653 776	32 797 060	9 650 870	-7 054 402	141 047 305	18 633 681	14 273 780	-2 285 435	30 622 026	110 425 279
Machinery & equipment	35 432 764	20 767 332	7 363 173	-16 562	63 546 707	4 683 873	5 330 970	-6 034	10 008 810	53 537 897
Furniture & Equipment	11 198 153	1 713 746		-35 362	12 876 537	3 115 174	1 534 529	-12 166	4 637 537	8 238 999
Computer Equipment	6 087 587	1 872 665		-397 012	7 563 240	1 869 871	1 445 728	-209 005	3 106 595	4 456 645
Transport Vehicles	52 935 273	8 443 318	2 287 697	-6 605 465	57 060 822	8 964 763	5 962 552	-2 058 231	12 869 084	44 191 737
HERITAGE ASSETS	4 812 191	304 641	2 995 184	0	8 112 016	0	0	0	0	8 112 016
Heritage assets	4 812 191	304 641	2 995 184		8 112 016				0	8 112 016
BIOLOGICAL ASSETS	8 774 385	0	0	0	8 774 385	0	0	0	0	8 774 385
Biological Assets	8 774 385		0		8 774 385				0	8 774 385
INTANGIBLE ASSETS	24 443 083	12 074 918	1 012 282	0	37 530 283	724 700	2 143 315	0	2 868 014	34 662 269
Intangible Assets	24 443 083	12 074 918	1 012 282		37 530 283	724 700	2 143 315		2 868 014	34 662 269
TOTAL	4 344 042 775	508 302 560	388 878 744	-7 054 402	5 234 169 677	200 756 296	107 768 136	-2 285 435	306 238 997	4 927 930 680

**APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2010**

	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	
EXECUTIVE COUNCIL	1 059 060	-	-	-	1 059 060	250 383	118 249	-	368 632	690 428	
Executive Council	1 059 060				1 059 060	250 383	118 249		368 632	690 428	
BUDGET & TREASURY OFFICE	3 405 283	89 583	38 244	(6 720 979)	(3 187 869)	900 385	1 095 145	(2 173 541)	(178 011)	(3 009 858)	
Finance	3 405 283	89 583	38 244	(6 720 979)	(3 187 869)	900 385	1 095 145	(2 173 541)	(178 011)	(3 009 858)	
CORPORATE SERVICES	318 175 724	21 837 772	14 239 252	(276 756)	353 975 992	18 742 575	6 603 303	(93 023)	25 252 855	328 723 137	
Human Resources	848 268	5 256			853 524	296 608	111 014		407 622	445 902	
IT Services	2 403 335	2 363 393	974 038		5 740 766	490 428	558 853		1 049 281	4 691 485	
Property Services	264 841 146	103 943	4 905 423		269 850 512	8 955 815	3 721 692		12 677 507	257 173 005	
Other Admin	50 082 975	19 365 180	8 359 791	(276 756)	77 531 190	8 999 724	2 211 744	(93 023)	11 118 445	66 412 745	
COMMUNITY & SOCIAL SERVICES	143 161 105	2 722 555	3 505 510	-	149 389 170	13 347 491	5 358 454	-	18 705 945	130 683 225	
Libraries & archives	39 740 654	1 394 468	33 484		41 168 606	3 177 463	2 035 592		5 213 055	35 955 551	
Museums	81 420 306	654 082	2 645 184		84 719 572	8 880 226	2 796 952		11 677 178	73 042 394	
Community halls & facilities	3 520 553	660 778			4 181 331	4 693	32 834		37 527	4 143 804	
Cemeteries & crematoriums	1 902 704	13 227	826 842		2 742 773	258 223	157 861		417 084	2 325 689	
Other Social Services	16 576 888				16 576 888	1 025 886	335 215		1 361 101	15 215 787	
SPORT & RECREATION	1127 422 141	378 075 136	15 279 651	-	1520 776 928	12 167 172	23 601 394	-	35 768 566	1485 008 362	
Sport & recreation	1127 422 141	378 075 136	15 279 651		1 520 776 928	12 167 172	23 601 394		35 768 566	1 485 008 362	
PUBLIC SAFETY	46 577 205	3 138 145	2 643 174	-	52 358 524	4 546 021	5 104 614	-	9 650 635	42 707 889	
Police	26 808 669	682 777	2 054 695		29 546 141	2 409 317	3 111 319		5 520 636	24 025 505	
Fire	19 168 681	2 455 368	27 279		21 651 328	2 121 708	1 974 807		4 096 515	17 554 813	
Street lighting	599 855		561 200		1 161 055	14 996	18 488		33 484	1 127 571	
HOUSING	3 363 142	990 210	-	-	4 353 352	303 068	109 618	-	412 686	3 940 666	
Housing	3 363 142	990 210			4 353 352	303 068	109 618		412 686	3 940 666	
HEALTH	2 407 278	28 864	-	-	2 436 142	500 161	129 141	-	629 302	1 806 840	
Clinics	2 407 278	28 864			2 436 142	500 161	129 141		629 302	1 806 840	
PLANNING & DEVELOPMENT	75 401 687	2 956 444	18 179 609	-	96 537 740	1 020 933	835 235	-	1 856 168	94 681 572	
Economic development	14 126 479	1 867 130	3 888 475		19 882 084	591 774	454 613		1 046 387	18 835 697	
Town Planning	60 864 745	1 089 314	14 237 561		76 191 620	286 520	300 752		587 272	75 604 348	
Licensing & Regulation	410 463		53 573		464 036	142 639	79 870		222 509	241 527	
ROAD TRANSPORT	1203 217 420	54 263 308	122 296 135	(56 667)	1 379 720 196	68 642 982	28 881 446	(18 871)	97 505 557	1 282 214 639	
Roads	1203 136 220	54 263 308	122 296 135	(56 667)	1 379 638 996	68 626 166	28 875 233	(18 871)	97 482 528	1 282 156 468	
Vehicle licensing & testing	81 200				81 200	16 816	6 213		23 029	58 171	
ENVIRONMENTAL PROTECTION	10 708 339	331 074	-	-	11 039 413	245 553	100 314	-	345 867	10 693 546	
Pollution Control	26 176				26 176	7 612	3 671		11 183	14 993	
Game Reserve	10 682 163	331 074			11 013 237	237 941	96 743		334 684	10 678 553	
ELECTRICITY	596 703 676	6 014 439	15 372 678	-	618 090 793	28 627 479	14 852 005	-	43 479 484	574 611 309	
Electricity distribution	596 703 676	6 014 439	15 372 678		618 090 793	28 627 479	14 852 005		43 479 484	574 611 309	
WATER	375 303 170	35 365 323	172 493 713	-	583 162 206	15 904 587	8 111 865	-	24 016 452	559 145 754	
Water distribution	237 998 459	35 365 323	172 493 713		445 857 495	11 182 643	4 602 789		15 785 432	430 072 057	
Water storage	137 304 711				137 304 711	4 721 938	3 509 076		8 231 014	129 073 697	
WASTE WATER MANAGEMENT	402 560 678	307 381	23 808 213	-	426 676 272	33 650 511	9 814 163	-	43 464 674	383 211 598	
Sewerage	395 991 156	307 381	23 808 213		420 106 750	33 434 532	9 712 659		43 147 191	376 959 559	
Stormwater	6 561 202				6 561 202	215 702	101 227		316 929	6 244 273	
Public toilets	8 320				8 320	277	277		554	7 766	
WASTE MANAGEMENT	34 576 867	2 182 326	1 022 565	-	37 781 758	1 906 995	3 053 190	-	4 960 185	32 821 573	
Solid waste	34 576 867	2 182 326	1 022 565		37 781 758	1 906 995	3 053 190		4 960 185	32 821 573	
OTHER	-	-	-	-	-	-	-	-	-	0	
Other										0	
TOTAL	4 344 042 775	508 302 560	388 878 744	(7 054 402)	5 234 169 677	200 756 296	107 768 136	(2 285 435)	306 238 997	4 927 930 680	

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

2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	72 269 788	(72 269 788)	Executive & Council	-	132 831 736	(132 831 736)
	70 856 209	(70 856 209)	Council general expenses		33 638 657	(33 638 657)
	126 709	(126 709)	Municipal Manager		103 324	(103 324)
	31 677	(31 677)	2010		98 117 886	(98 117 886)
	1 255 193	(1 255 193)	Secretariat & Records		971 869	(971 869)
1 238 700 738	108 313 915	1 130 386 823	Finance & Admin	952 286 516	133 090 465	819 196 051
			Finance			
992 449 952		992 449 952	Intergovernmental transfers	724 550 478		724 550 478
	3 506 715	(3 506 715)	Mankweng/Sebayeng		3 431 418	(3 431 418)
84 626 229	12 846 216	71 780 013	Financial services	50 463 452	22 721 133	27 742 319
159 348 303	9 947 430	149 400 873	Assessment rates	173 595 064	16 723 210	156 871 854
			Human Resources			
	572 445	(572 445)	O & W		579 825	(579 825)
	6 156 119	(6 156 119)	Personnel		17 914 950	(17 914 950)
1 624 192	913 194	710 998	Training	423 837	1 257 642	(833 805)
	348 365	(348 365)	Labour relations		363 562	(363 562)
6 200	359 780	(353 580)	Occupational Health	106 575	379 641	(273 066)
192	2 039 236	(2 039 044)	IT		208 853	(208 853)
			Property Services			
	7 093 266	(7 093 266)	Administration		8 216 557	(8 216 557)
	13 149 895	(13 149 895)	Civic Centre		655 939	(655 939)
			Other Admin			
	676 865	(676 865)	Com & public participation		748 464	(748 464)
	78 113	(78 113)	Security & risk management		56 881	(56 881)
	146 526	(146 526)	Project Management		3 828 637	(3 828 637)
	87 026	(87 026)	Internal audit		68 693	(68 693)
	1 894 848	(1 894 848)	Technical depot		2 196 051	(2 196 051)
	11 127 509	(11 127 509)	Transport workshop		8 287 016	(8 287 016)
	16 057 286	(16 057 286)	Community security		19 083 122	(19 083 122)
	2 617 728	(2 617 728)	Legal Services		4 864 952	(4 864 952)
645 670	18 695 353	(18 049 683)	Procurement	3 147 110	21 503 918	(18 356 808)
18 712 030	41 195 107	(22 483 077)	Planning & Development	33 813 178	26 390 811	7 422 367
15 391 341	19 916 727	(4 525 386)	Land use management	30 759 876	4 796 167	25 963 709
236 886	5 210 280	(4 973 394)	Spatial Planning	219 920	5 895 090	(5 675 170)
3 083 803	5 480 218	(2 396 415)	Building inspections	2 833 382	5 387 419	(2 554 037)
			Local economic development		2 719 142	(2 719 142)
	3 569 169	(3 569 169)	Community development		1 455 470	(1 455 470)
	870 556	(870 556)	Investment promotion		525 505	(525 505)
	3 801 019	(3 801 019)	Economic planning		2 573 160	(2 573 160)
	2 347 138	(2 347 138)	IDP		3 038 858	(3 038 858)

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

2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	6 877 452	(6 877 452)	Health	-	6 805 929	(6 805 929)
	4 047 106	(4 047 106)	Clinics		3 513 634	(3 513 634)
	2 830 346	(2 830 346)	Health inspection		3 292 295	(3 292 295)
3 012 724	38 472 549	(35 459 825)	Community Services	5 504 228	41 484 806	(35 980 578)
311 342	11 379 289	(11 067 947)	Libraries	323 277	13 735 003	(13 411 726)
	1 056 515	(1 056 515)	Museums			
61 542	6 280 542	(6 219 000)	Art Museum		1 146 779	(1 146 779)
300 114	2 581 178	(2 281 064)	Museum	89 036	9 585 880	(9 496 844)
451 177	3 560 552	(3 109 375)	Community centres	251 912	2 661 612	(2 409 700)
			Cemeteries	591 389	3 810 203	(3 218 814)
			Other Community			
1 777 086	6 817 709	(5 040 623)	Game Reserve	4 154 694	6 197 323	(2 042 629)
111 463	1 252 410	(1 140 947)	Showgrounds	93 920	1 626 988	(1 533 068)
	5 544 354	(5 544 354)	Cultural desk		2 721 019	(2 721 019)
132 840	4 211 151	(4 078 311)	Housing	97 262	6 674 876	(6 577 614)
	4 207 882	(4 207 882)	Administration		6 671 620	(6 671 620)
129 144	2 871	126 273	Assisted schemes	92 894	2 786	90 108
3 696	398	3 298	Letting schemes	4 368	471	3 897
15 984 606	58 042 616	(42 058 010)	Public Safety	13 468 746	65 827 920	(52 359 174)
3 523 514	29 067 282	(25 543 768)	Traffic	3 406 143	31 619 496	(28 213 353)
181 835	19 789 899	(19 608 064)	Fire fighting	272 409	22 935 637	(22 663 228)
	1 752 254	(1 752 254)	Disaster management		2 832 266	(2 832 266)
12 274 437	6 218 599	6 055 838	Licensing	9 788 584	5 898 818	3 889 766
4 820	1 214 582	(1 209 762)	Municipal control centre	1 610	2 541 702	(2 540 092)
883 314	55 831 482	(54 948 168)	Parks & Recreation	777 934	71 779 228	(71 001 294)
5 926	1 807 687	(1 801 761)	Nursery	1 588	1 977 506	(1 975 918)
74 406	21 656 647	(21 582 241)	Parks	95 169	24 969 484	(24 874 315)
589 925	27 788 267	(27 198 342)	Sport & recreation	420 868	40 470 535	(40 049 667)
213 057	4 578 881	(4 365 824)	Swimming pools	260 309	4 361 703	(4 101 394)
-	708 581	(708 581)	Environmental Protection	-	780 308	(780 308)
	708 581	(708 581)	Air pollution		780 308	(780 308)
36 430 070	43 469 367	(7 039 297)	Waste Management	40 972 883	48 077 278	(7 104 395)
36 430 070	37 622 628	(1 192 558)	Refuse Removal	40 972 883	40 038 949	933 934
	5 846 739	(5 846 739)	Street & side walking cleaning		8 038 329	(8 038 329)

**APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2010**

2009 Actual Income	2009 Actual Expenditure	2009 Actual Surplus/ (Deficit)		2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)
R	R	R		R	R	R
31 163 943	40 893 639	(9 729 696)	Waste water management	34 321 839	43 881 512	(9 559 673)
92 379	26 369 495	(26 277 116)	Sewer purification	1 445 333	26 644 142	(25 198 809)
31 071 564	7 704 687	23 366 877	Sewer reticulation	32 876 506	9 021 684	23 854 822
	5 404 955	(5 404 955)	Stormwater		6 053 106	(6 053 106)
	1 414 502	(1 414 502)	Public toilets		2 162 580	(2 162 580)
6 940 783	47 449 886	(40 509 103)	Road Transport	7 830 567	58 983 153	(51 152 586)
	45 218 527	(45 218 527)	Roads & streets		56 315 299	(56 315 299)
6 940 783	2 231 359	4 709 424	Vehicle licensing & testing	7 830 567	2 667 854	5 162 713
101 869 755	145 220 550	(43 350 795)	Water distribution	116 276 917	163 593 034	(47 316 117)
101 869 755	48 554 516	53 315 239	Water Distribution	116 276 917	49 958 599	66 318 318
	92 627 007	(92 627 007)	Water provision		101 532 221	(101 532 221)
	4 039 027	(4 039 027)	Water Purification		12 102 215	(12 102 215)
278 709 831	269 316 898	9 392 933	Electricity	369 182 671	333 806 552	35 376 119
	6 013 025	(6 013 025)	Workshop		7 759 510	(7 759 510)
278 709 831	256 725 778	21 984 053	Distribution	369 182 671	316 043 543	53 139 128
	6 578 095	(6 578 095)	Street Lighting		10 003 499	(10 003 499)
24 000	27 601	(3 601)	Other	24 000	35 247	(11 247)
24 000	27 601	(3 601)	Airport	24 000	35 247	(11 247)
1 732 564 634	932 300 582	800 264 052	Total	1 574 556 741	1 134 042 857	440 513 884

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	173 595 064	169 508 000	4 087 064	2.41	
Service charges	536 043 660	515 134 110	20 909 550	4.06	
Rental of facilities and equipment	6 051 734	5 507 900	543 834	9.87	
Interest earned – external investments	31 683 943	30 000 000	1 683 943	5.61	
Interest earned – outstanding debtors	17 101 099	20 200 500	(3 099 401)	(15.34)	Over budgeted
Fines	2 830 817	2 886 800	(55 983)	(1.94)	
Licensing & permits	7 793 005	6 615 200	1 177 805	17.80	Growth in issue of licenses
Revenue for agency services	9 769 284	13 000 000	(3 230 716)	(24.85)	Growth less than anticipated
Government grants & subsidies – operating	364 356 044	312 520 000	51 836 044	16.59	Spending of previous years funds
Government grants & subsidies – capital	329 976 994	344 807 000	(14 830 006)	(4.30)	
Public contributions, donated and contributed	30 217 440	40 607 000	(10 389 560)	(25.59)	Under spending on capital projects
Other revenue	65 137 656	95 595 785	(30 458 129)	(31.86)	Sales of stands did not materialize with R30 Million
Total Revenue	1 574 556 741	1 556 382 295	18 174 445	1.17	
EXPENDITURE					
Employee related costs	330 696 697	320 356 625	10 340 072	3.23	
Remuneration of councillors	18 196 402	16 034 020	2 162 382	13.49	11% increase was allowed while 8.3% was budgeted
Bad debts	0	15 000 000	(15 000 000)	(100.00)	Provision sufficient- no contribution made
Collection costs	1 692 446	2 500 000	(807 554)	(32.30)	Under collection of anticipated revenue
Depreciation	107 768 136	88 016 705	19 751 431	22.44	GRAP implementation
Repairs & maintenance	86 782 166	82 820 550	3 961 616	4.78	
Finance costs	23 626 735	19 900 000	3 726 735	18.73	Change in financing rules
Bulk purchases	314 831 255	330 162 000	(15 330 745)	(4.64)	
Grants & subsidies paid	220 000	400 000	(180 000)	(45.00)	Paid less than anticipated
General expenses	250 229 020	228 613 100	21 615 920	9.46	More spent on 2010 related expenditure
Total Expenditure	1134 042 857	1 103 803 000	30 239 857	2.74	
NET SURPLUS/(DEFICIT) FOR THE YEAR	440 513 884	452 579 295	(12 065 411)		

**APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2010	2010	2010	Explanations of significant variances greater than 5% versus budget
	Actual R	Budget R	Variance R	Variance %	
EXECUTIVE & COUNCIL					
Executive & Council	-	-	-	-	
BUDGET & TREASURY OFFICE	127 827	1 100 000	(972 173)	(88.38)	
Finance	127 827	1 100 000	(972 173)	(88.38)	Bulk of project budgeted in next financial year
CORPRATE SERVICES	36 077 023	69 373 400	(33 296 377)	(48.00)	
Human Resources	5 256	1 508 000	(1 502 744)	(99.65)	Underspending/ contract less than budget amount
Information Technology	3 337 430	5 920 000	(2 582 570)	(43.62)	Underspending/ contract less than budget amount
Property Services	5 009 366	8 655 000	(3 645 634)	(42.12)	Underspending/ contract less than budget amount
Other & Admin	27 724 971	53 290 400	(25 565 429)	(47.97)	Underspending/ contract less than budget amount
PLANNING & DEVELOPMENT	21 082 480	52 036 600	(30 954 120)	(59.49)	
Planning & Development	21 082 480	52 036 600	(30 954 120)	(59.49)	Underspending/ contract less than budget amount
ROAD TRANSPORT	176 559 443	286 167 900	(109 608 457)	(38.30)	
Vehicle Licensing & Testing					Underspending/ contract less than budget amount
Roads & Stormwater	176 559 443	286 167 900	(109 608 457)	(38.30)	Underspending/ contract less than budget amount
HEALTH	28 864	30 500	(1 636)	(5.36)	
Clinics	28 864	30 500	(1 636)	(5.36)	Underspending/ contract less than budget amount
COMMUNITY & SOCIAL	6 386 960	12 324 400	(5 937 440)	(48.18)	
Libraries & Archives	1 427 951	1 641 000	(213 049)	(12.98)	Underspending/ contract less than budget amount
Museums	3 299 267	5 307 100	(2 007 833)	(37.83)	Underspending/ contract less than budget amount
Community Halls & Facilities	819 673	2 269 600	(1 449 927)	(63.88)	Underspending/ contract less than budget amount
Cemeteries & Crematoriums	840 069	1 910 000	(1 069 931)	(56.02)	Underspending/ contract less than budget amount
Other Facilities		1 196 700	(1 196 700)	(100.00)	Project abandoned
ENVIRONMENTAL PROTECTION	331 074	368 000	(36 926)	(10.03)	
Biodiversity & landscape	331 074	368 000	(36 926)	(10.03)	Underspending/ contract less than budget amount
PUBLIC SAFETY	7 534 205	11 456 300	(3 922 095)	(34.24)	
Police	2 791 045	7 109 500	(4 318 455)	(60.74)	Underspending/ contract less than budget amount
Fire	2 482 647	1 153 400	1 329 247	115.25	Underspending/ contract less than budget amount
Street Lighting	2 260 513	3 193 400	(932 887)	(29.21)	Underspending/ contract less than budget amount
SPORT & RECREATION	393 195 892	481 628 400	(88 432 508)	(18.36)	
Sport & Recreation	393 195 892	481 628 400	(88 432 508)	(18.36)	Underspending/ contract less than budget amount
WASTE WATER MANAGEMENT	24 115 594	54 520 700	(30 405 106)	(55.77)	
Sewerage	24 115 594	54 520 700	(30 405 106)	(55.77)	Underspending/ contract less than budget amount
WASTE MANAGEMENT	3 204 892	7 901 000	(4 696 108)	(59.44)	
Solid Waste	3 204 892	7 901 000	(4 696 108)	(59.44)	Underspending/ contract less than budget amount
HOUSING	990 210	1 210 000	(219 790)	(18.16)	
Housing	990 210	1 210 000	(219 790)	(18.16)	Underspending/ contract less than budget amount
WATER	129 719 892	194 243 800	(64 523 908)	(33.22)	
Water Distribution	129 719 892	194 243 800	(64 523 908)	(33.22)	Underspending/ contract less than budget amount
ELECTRICITY	97 826 948	125 397 000	(27 570 052)	(21.99)	
Electricity Distribution	97 826 948	125 397 000	(27 570 052)	(21.99)	Underspending/ contract less than budget amount
TOTAL	897 181 304	1 297 758 000	(400 576 696)	(30.87)	

**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	100 091 073	80 072 863	66 474 475		246 638 411	61 659 603	61 659 603	61 659 603	61 659 603	246 638 411	No	246 639 000		Not Applicable	Not Applicable
PTIF	NDT	30 000 000		11 146 000		61 146 000	12 945 861	13 243 940	8 225 958	42 427 653	76 843 412	No	66 146 000		Yes	Not Applicable
NEP	DME		40 607 000			40 607 000	2 988 116	9 350 565	9 305 631	8 573 127	30 217 440	No	40 607 000		Yes	Not Applicable
Financial Management Grant	National Treasury	750 000				750 000	199 677	131 852	418 471		750 000	No	750 000		Yes	Not Applicable
MIG Grants	DPLG	25 750 000	65 000 000	39 053 000		129 803 000	21 727 882	33 431 943	25 157 551	56 463 984	136 781 360	No	129 803 000		Yes	Not Applicable
2010 Stadium	DSR				20 000 000	20 000 000	130 173 972			20 000 000	150 173 972	No	53 026 000		Yes	Not Applicable
Water	DWAF	2 690 000	16 194 000	7 294 000	4 465 000	30 643 000	3 083 339	11 000 373	4 900 612	4 088 700	23 073 024	No	28 868 000		Yes	Not Applicable
NBHDG	National Treasury					0		400 000			400 000	Yes	400 000	No spending	Not Applicable	Not Applicable
MSIP	DPLG	400 000				400 000		100 000			100 000	No	400 000		Yes	Not Applicable
National Heritage Council	National Heritage Council		50 000			50 000					1 421 932	No	0		Yes	Not Applicable
CoCTA						0					1 421 932	No	0		Yes	Not Applicable
CDM						0	1 190 834	520 159	548 181		2 259 174	No	0		Yes	Not Applicable
EPWP			679 800	411 950		1 091 750	1 028 838			62 912	1 091 750	No	2 325 000		Yes	Not Applicable
2010 Operating Grant	DSR	40 800 000	40 800 000		14 000 000	54 800 000	5 251 476	5 923 951	8 982 283	34 642 290	54 800 000	No	40 800 000		Yes	Not Applicable
		159 681 073	243 403 663	124 379 425	58 465 000	585 929 161	239 220 759	136 791 223	119 198 291	229 340 201	724 550 474	-	609 364 000			