

POLOKWANE LOCAL MUNICIPALITY



**CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011**

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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 23 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 FL Lamola
MUNICIPAL MANAGER

DATE

POLOKWANE MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	Economic Entity		Polokwane Municipality	
		2011 R	2010 R	2011 R	2010 R
NET ASSETS & LIABILITIES					
Net Assets		4 916 828 619	4 935 395 315	4 881 033 942	4 897 381 940
Housing development fund	2	11 155 453	10 968 651	11 155 453	10 968 651
CG Polokwane Municipality		-	-	-	-
Share Capital		-	-	-	-
Accumulated surplus/(deficit)		4 905 673 166	4 924 426 664	4 869 878 489	4 886 413 289
Non-current liabilities					
Long term liabilities	4	291 507 813	73 345 964	257 475 924	47 907 792
Deferred income		18 023 666	16 722 076		
Loans from related party	4.1	-	-		
Current liabilities					
		599 206 065	378 598 907	593 239 220	367 576 841
Consumer deposits	5	57 596 427	51 836 858	57 596 427	51 836 858
Trade and other payables	6	172 660 696	212 656 829	169 054 236	209 749 273
Provisions	38	176 406 508	24 094 967	176 172 934	24 094 967
Unspent conditional grants and receipts	7	166 832 457	79 021 541	166 832 457	79 021 541
Current portion of long term liabilities	4	25 709 977	10 988 712	23 583 166	2 874 203
Total Net Assets and Liabilities		5 825 566 163	5 404 062 262	5 731 749 086	5 312 866 573
ASSETS					
Non-current assets		5 274 250 640	5 157 988 879	5 185 159 478	5 069 510 540
Property, plant & equipment	8	5 044 387 533	4 928 706 831	5 043 752 364	4 927 930 680
Investment property	31	204 807 823	204 725 363	125 510 500	125 510 500
Investment in municipal entity (THA)	9	-	-	8 217 389	8 217 389
Other financial assets		22 472 658	21 171 731	-	-
Non-current receivables	10	2 582 626	3 384 954	7 679 225	7 851 971
Current assets		551 315 523	246 073 383	546 589 608	243 356 033
Inventory	11	71 143 988	52 629 647	71 143 988	52 629 647
Short-term investments	9	219 993 042	58 999 800	219 993 042	58 999 800
Consumer debtors	12	215 801 075	154 350 544	213 642 305	153 650 081
Other receivables	13	3 568 337	6 342 543	3 233 931	6 033 929
VAT	14	11 245 573	43 055 833	11 245 573	43 055 833
Current portion of long-term receivables	10	22 089 459	24 636 986	22 089 459	24 636 986
Cash and cash equivalents	15	7 474 049	(93 941 970)	5 241 310	(95 650 243)
Total Assets		5 825 566 163	5 404 062 262	5 731 749 086	5 312 866 573
		(0)	0	(0)	

POLOKWANE MUNICIPALITY
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R Economic Entity	2010 R	2011 R Polokwane Municipality	2010 R
REVENUE					
Property rates	16	211 929 612	173 595 064	211 929 612	173 595 064
Service charges	17	634 307 671	546 718 971	624 215 085	536 043 660
Rental of facilities and equipment		4 336 869	6 051 734	4 336 869	6 051 734
Investment Revenue – external investments	20	7 839 777	31 689 711	8 467 657	32 236 208
Interest earned – outstanding debtors		20 300 156	17 101 099	20 300 156	17 101 099
Fines		4 796 811	2 830 817	4 796 811	2 830 817
Licenses and permits		8 065 163	7 793 005	8 065 163	7 793 005
Income for agency services		13 460 412	9 769 284	13 460 412	9 769 284
Government grants and subsidies recognised - operating	18	360 475 959	364 356 044	360 475 959	364 356 044
Government grants and subsidies recognised - capital	18	125 987 182	329 976 994	125 987 182	329 976 994
Public contributions, donated and contributed property, plant and equipment	19	3 528 444	-	3 528 444	0
Other revenue	21	96 835 627	65 139 496	96 835 627	65 137 656
Total Revenue		1 491 863 684	1 555 022 219	1 482 398 978	1 544 891 566
EXPENDITURE					
Employee related costs	22	365 854 360	335 614 223	362 502 924	332 491 231
Remuneration of councillors	23	19 778 889	18 196 402	19 778 889	18 196 402
Bad debts		40 857 320	(724 961)	39 120 623	(2 391 654)
Collection costs		1 463 112	1 692 446	1 463 112	1 692 446
Depreciation		172 592 297	107 925 396	172 412 242	107 768 136
Repairs and maintenance		95 300 758	86 782 166	95 300 758	86 782 166
Finance cost	24	15 464 797	27 011 791	12 258 777	23 626 735
Bulk purchases	25	418 402 194	314 831 255	418 402 194	314 831 255
Grants and subsidies paid	26	240 000	220 000	240 000	220 000
General expenses	27	248 745 012	254 584 277	245 535 816	250 229 020
Total Expenditure		1 378 698 739	1 146 132 995	1 367 015 335	1 133 445 737
NET SURPLUS/(DEFICIT) FOR THE YEAR		113 164 945	408 889 224	115 383 643	411 445 829

POLOKWANE MUNICIPALITY
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Housing Fund	Share capital	CG Polokwane Municipality	Total	Accumulated Surplus/ (Deficit)	Total
			R	R		R	R
Balance at 30 June 2007		10 736 726		-	10 736 726	639 289 061	650 025 787
Changes in accounting policy					-	876 781 815	876 781 815
Correction of prior period error					-	141 465 026	141 465 026
Restated balance	28	10 736 726	-	-	10 736 726	1 657 535 902	1 668 272 628
Issued share capital			-		-		-
Unbundling of assets			-		-	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	-	-	10 808 221	3 702 536 184	3 713 344 405
Polokwane housing association CG				-	-		-
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)
Provision leave bonuses						(10 514 127)	(10 514 127)
Surplus/(deficit) for the period					-	797 370 924	797 370 924
Balance at 30 June 2009		10 900 596	0	0	10 900 596	4 472 059 767	4 482 960 363
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					-	477 209 417	477 209 417
Balance at 30 June 2010		10 968 651	0	0	10 968 651	4 924 426 664	4 935 395 315
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)		186 802			186 802	(131 918 443)	(131 731 641)
Surplus/(deficit) for the period					-	113 164 945	113 164 945
Balance at 30 June 2011		11 155 453	0	0	11 155 453	4 905 673 166	4 916 828 619

POLOKWANE MUNICIPALITY
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES					
Cash received from ratepayers, government and others		1 921 912 780	2 235 092 839	1 902 732 020	2 222 911 346
Cash paid to suppliers and employees		(1594 943 975)	(1870 435 873)	(1587 579 115)	(1861 140 689)
Cash generated from / (utilized in) operations	29	326 968 805	364 656 966	312 934 207	361 770 656
Interest received		8 469 359	32 241 976	8 467 657	32 236 208
Interest paid		(16 094 379)	(27 534 056)	(12 258 777)	(23 626 735)
Net cash from operating activities		319 343 785	369 364 886	309 143 087	370 380 129
CASH FLOW FROM INVESTMENT ACTIVITIES					
Purchase of property, plant and equipment		(287 993 001)	(897 203 304)	(287 939 549)	(897 181 304)
Proceeds on disposal of property, plant and equipment		(347 830)	4 777 170	(347 830)	4 768 967
Purchase of investment property		629 583	(320 840)	-	-
Loans from related parties repaid		(1 300 927)	522 265	-	-
Sale of financial assets		-	(21 171 731)	-	-
(Increase)/decrease in non-current receivables		2 720 273	(12 360 862)	2 720 273	(12 360 862)
(Increase)/decrease in non-current investments		-	82 392 981	-	82 392 981
(Increase)/decrease in current investments		(160 993 242)	212 125 501	(160 993 242)	213 138 501
Net cash from investment activities		(447 285 144)	(631 238 820)	(446 560 348)	(609 241 717)
CASH FLOW FROM FINANCING ACTIVITIES					
Increase/(decrease) in long term loans		232 883 114	(40 480 042)	230 277 095	(42 540 846)
Increase/(decrease) in deposits		5 759 569	5 620 109	5 759 569	5 620 109
Net cash from financing activities		238 642 683	(34 859 933)	236 036 664	(36 920 737)
Increase/(decrease) in cash and cash equivalents		110 701 323	(296 733 867)	98 619 403	(275 782 324)
Cash and cash equivalents at beginning of the year		(93 927 590)	181 634 546	(95 650 243)	180 132 081
Cash and cash equivalents at end of the year		16 827 186	(115 099 321)	5 241 310	(95 650 243)

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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, its 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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 Performance.

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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, it's 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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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:

has a detailed formal plan for the restructuring identifying at least:	(a) The municipality
a business concerned;	- the business or part of
- the location, function, and approximate number of employees who will be compensated for terminating their services;	- the principal locations affected;
expenditures that will be undertaken; and	- the
plan will be implemented; and	- when the

(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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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
CONS
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	Economic Entity		Polokwane Municipality	
	2011 R	2010 R	2011 R	2010 R
2. HOUSING DEVELOPMENT FUND	11 155 453	10 968 651	11 155 453	10 968 651
Unappropriated Surplus	8 175 482	7 988 680	8 175 482	7 988 680
Loans estinguished by Government in April 1998	2 979 971	2 979 971	2 979 971	2 979 971
The Housing Fund is represented by the following assets and liabilities:				
Property, plant and equipment	507 721	507 721	507 721	507 721
Housing selling scheme loans	2 397 719	2 525 476	2 397 719	2 525 476
Bank and cash	8 250 013	7 935 454	8 250 013	7 935 454
	11 155 453	10 968 651	11 155 453	10 968 651
3. RESERVES				
Revaluation Reserve	-	1 326 170 103	-	1 326 170 103
Collapsing of reserve and transfer to accumulated surplus				
4. LONG TERM LIABILITIES				
Local Registered Stock loans	781 995	781 995	781 995	781 995
National Housing Finance Corporation - Held at fair value	36 158 700	33 552 681		
Annuity loans	280 277 095	50 000 000	280 277 095	50 000 000
	317 217 790	84 334 676	281 059 090	50 781 995
Less: Current portion transferred to current National Housing Finance Corporation - Held at Local Registered Stock loans	-	-	(65 400)	-
Annuity loans	(23 517 766)	(2 874 203)	(23 517 766)	(2 874 203)
	291 507 813	73 345 964	257 475 924	47 907 792
Refer to Appendix A for more detail on long term liabilities.				
4.1 LOANS FROM RELATED PARTIES				
Polokwane Municipality	-	-		
This loans bears no interest and is repayable after 10 years				
5. CONSUMER DEPOSITS				
Water and electricity	57 596 427	51 836 858	57 596 427	51 836 858
No interest is paid on consumer deposits.				
Guarantees held in lieu of electricity and water deposits	9 170 371	9 143 371	9 170 371	9 143 371

POLOKWANE MUNICIPALITY
CONS
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
6. TRADE AND OTHER PAYABLES				
Trade Creditors	71 714 016	89 324 097	70 842 072	88 834 949
Amounts received in advance	15 959 504	14 691 930	15 568 871	14 372 751
Deposits received	2 345 395	2 051 550		
Other	5 823 513	4 396 123	5 825 025	4 348 435
Guarantees	261 795	261 795	261 795	261 795
Staff leave	40 099 206	41 727 104	40 099 206	41 727 104
Retention withheld on projects	36 457 268	60 204 230	36 457 268	60 204 230
	-	-		
	172 660 696	212 656 829	169 054 236	209 749 273
7. UNSPENT CONDITIONAL GRANTS FROM GOVERNMENT AND PUBLIC DONATIONS				
Local government restructuring grant	953 927	953 927	953 927	953 927
Public transport infrastructure and systems grant	5 250 000	11 528 189	5 250 000	11 528 189
Municipal infrastructure grant	118 520 006	28 927 683	118 520 006	28 927 683
Limpopo Provincial Government	2 949 710	2 949 710	2 949 710	2 949 710
Water services refurbishment grant	-	16 191 147	-	16 191 147
Integrated national electrification programme	7 992 204	14 680 270	7 992 204	14 680 270
Electricity demand side management grant	257 208	2 767 678	257 208	2 767 678
Housing Accreditation Grant	333 424	318 349	333 424	318 349
Local Government Transition Grant	649 874	649 874	649 874	649 874
Local Economic Development Grant	54 714	54 714	54 714	54 714
Neighbourhood development partnership grant	2 605 292	-	2 605 292	-
Expanded public works programme incentive	970 098	-	970 098	-
Local Organising Committee	25 000 000	-	25 000 000	-
Anglo Platinum	1 296 000	-	1 296 000	-
	166 832 457	79 021 541	166 832 457	79 021 541
See note 18 for reconciliation of grants. These amounts are invested until utilised.				

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8 PROPERTY, PLANT & EQUIPMENT

Economic Entity

	Land and Buildings R	Infrastructure R	Other and Movable R	Heritage R	Biological R	Intangible R	Total R
Carrying values at 30 June 2009	1 793 609 734	2 213 845 675	88 054 776	5 128 795	8 774 385	34 696 910	4 143 286 479
Cost	1 857 247 149	2 331 606 175	107 096 256	5 128 795	8 774 385	35 421 610	4 344 042 775
Accumulated depreciation – cost	(63 637 415)	(117 760 500)	(19 041 480)	0	0	(724 700)	(200 756 296)
Acquisitions	376 503 883	86 622 058	32 819 060	304 641		12 074 918	508 324 560
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)	(14 449 376)			(2 143 315)	(107 943 732)
Game count							0
Carrying value of disposals			(7 062 606)				(7 062 606)
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	111 087 275	8 112 016	8 774 385	34 662 268	4 928 706 831
Cost	2 262 192 112	2 776 513 576	142 292 696	8 112 016	8 774 385	37 530 283	5 234 183 473
Accumulated depreciation – cost	(102 829 992)	(169 918 964)	(31 205 421)	0	0	(2 868 015)	(306 414 593)
Acquisitions	6 736 173	96 398 615	20 592 486	275 549		7 015 090	131 017 913
Capital under construction	13 975 322	138 898 448	38 317			4 009 550	156 921 636
Depreciation – based on cost	-61 762 735	-79 342 634	-25 318 012	-1 708 970		-4 502 134	-172 634 485
Revaluation/ Impairment		-861 269	0				-861 269
Prior year adjustments -acquisitions		2 024	1 834 100	1 012		1 012	1 838 148
Prior year adjustments -depreciation		-40	-275 564	-505		-505	-276 615
Carrying value of disposals			-769 868				-769 868
Cost/Accumulated depreciation			417 427				417 427
Other movements/transfers	-227 014 338	184 634 304	42 380 040	0		0	6
Depreciation- movements/transfers	2 752 226	-2 591 932	-160 295			1	0
Carrying values at 30 June 2011	1 894 048 768	2 943 732 127	149 825 906	6 679 103	8 774 385	41 185 281	5 044 387 533
Cost	2 055 889 269	3 195 585 697	206 367 770	8 388 577	8 774 385	48 555 935	5 522 330 038
Accumulated depreciation – cost	-161 840 500	-251 853 570	-56 541 864	-1 709 475	0	-7 370 654	-478 908 265

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8.1 PROPERTY, PLANT & EQUIPMENT

Polokwane Municipality

	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)
Revaluation Balance							0
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)
Acquisitions	6 736 173	96 398 615	20 539 034	275 549		7 015 090	130 964 461
Capital under construction	13 975 322	138 898 448	38 317			4 009 550	156 921 636
Depreciation – based on cost	-61 762 735	-79 342 634	-25 095 769	-1 708 970		-4 502 134	-172 412 242
Revaluation/ Impairment		-861 269					-861 269
Prior year adjustments -acquisitions		2 024	1 834 100	1 012		1 012	1 838 148
Prior year adjustments -depreciation		-40	-275 564	-505		-505	-276 615
Carrying value of disposals			-769 868				-769 868
Cost/Accumulated depreciation			417 427				417 427
Other movements/transfers	-227 014 338	184 634 304	42 380 040	0		0	6
Depreciation- movements/transfers	2 752 226	-2 591 932	-160 295			1	0
Carrying values at 30 June 2011	1 894 048 768	2 943 732 127	149 332 701	6 679 103	8 774 385	41 185 281	5 043 752 364
Cost	2 055 889 269	3 195 585 697	205 068 927	8 388 577	8 774 385	48 555 935	5 522 262 790
Accumulated depreciation – cost	-161 840 500	-251 853 570	-55 736 226	-1 709 475	0	-7 370 654	-478 510 426

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
9. INVESTMENTS				
Long Term Investments				
Investment in municipal entity (THA)	-	-	8 217 389	8 217 389
	-	-	8 217 389	8 217 389
Short Term Fixed Deposits				
ABSA Bank	80 576 137	-	80 576 137	-
First National Bank	20 000 000	-	20 000 000	-
Nedbank	40 279 912	-	40 279 912	-
Standard Bank	79 136 993	58 999 800	79 136 993	58 999 800
	219 993 042	58 999 800	219 993 042	58 999 800
Total Investments	228 210 431	67 217 189	228 210 431	67 217 189
Council's valuation of investments	228 210 431	67 217 189	228 210 431	67 217 189
No investments have been written off during the year.				
10. NON CURRENT RECEIVABLES				
Housing selling scheme loans	2 397 719	2 525 476	2 397 719	2 525 476
Sport loans	932 016	1 020 215	932 016	1 020 215
Erven loans	21 312 350	24 446 249	21 312 350	24 446 249
Loan to Subsidiary - Polokwane Housing Association	30 000	30 000	5 126 599	4 497 017
	-	-	-	-
	24 672 085	28 021 940	29 768 684	32 488 957
Less: current portion transferred to current receivables	22 089 459	24 636 986	22 089 459	24 636 986
Housing selling scheme loans	141 686	164 436	141 686	164 436
Sport loans	88 200	88 200	88 200	88 200
Erven loans	21 141 849	24 384 350	21 141 849	24 384 350
Loan to Subsidiary - Polokwane Housing Association	717 724	-	717 724	-
	2 582 626	3 384 954	7 679 225	7 851 971

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
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 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.				
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	67 320 237	48 961 426	67 320 237	48 961 426
Unsold properties held for resale	3 564 847	3 246 426	3 564 847	3 246 426
Water - at cost	258 904	421 795	258 904	421 795
	71 143 988	52 629 647	71 143 988	52 629 647
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	350 543 585	257 477 810	350 543 585	257 477 810
Trade receivables	5 895 467	2 700 463		
Sale of water and electricity 15 to 30 June	20 058 221	16 084 299	20 058 221	16 084 299
Less Provision for bad debts	(149 593 440)	(108 736 120)	(145 856 743)	(106 736 120)
Less contra debtors suspense account	(18 800 341)	(17 980 405)	(18 800 341)	(17 980 405)
Plus outstanding RD cheques	7 697 583	4 804 497	7 697 583	4 804 497
	215 801 075	154 350 544	213 642 305	153 650 081
Ageing of consumer debtors				
Current (0-30 days)	107 780 068	79 356 196	101 884 601	76 655 733
31-60 days	29 402 051	12 988 182	29 402 051	12 988 182
61-90 days	13 186 022	10 461 038	13 186 022	10 461 038
91-120 days	12 694 151	7 872 737	12 694 151	7 872 737
120+ days	193 376 760	149 500 120	193 376 760	149 500 120
	356 439 052	260 178 273	350 543 585	257 477 810
Consumer debtors per category				
Government	26 367 371	29 976 730	26 367 371	29 976 730
Business	46 660 282	77 676 476	46 660 282	77 676 476
Individuals	268 128 944	140 838 884	268 128 944	140 838 884
Other	15 282 455	11 686 183	9 386 988	8 985 720
	356 439 052	260 178 273	350 543 585	257 477 810
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	108 736 120	111 127 774	106 736 120	109 127 774
Contributions to provision	40 857 320	-	39 120 623	-
Bad debts recovered/(written off) against provision	-	(319 631)	-	(319 631)
Over provision previous year	-	(2 072 023)	-	(2 072 023)
Balance at year end	149 593 440	108 736 120	145 856 743	106 736 120

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
13. OTHER RECEIVABLES				
Sundry debtors	12 580	12 580		
Staff loans	8 943	8 943		
Other debtors	3 045 914	5 822 315	2 733 030	5 535 224
Deposits	500 900	498 705	500 900	498 705
	3 568 337	6 342 543	3 233 930	6 033 929
14. VAT				
Vat refundable	11 245 573	43 055 833	11 245 573	43 055 833
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	18 314 811	112 670 896	18 314 811	112 670 896
Bank statement balance at end of year	10 122 899	18 314 811	10 122 899	18 314 811
Cash book balance at beginning of year	(96 027 207)	49 930 160	(96 027 207)	49 930 160
Cash book balance at end of year	4 863 581	(96 027 207)	4 863 581	(96 027 207)
2010 Account				
Standard Bank: Polokwane				
Account number: 330535250				
Bank statement balance at beginning of year	(70)	128 455 604	(70)	128 455 604
Bank statement balance at end of year	-	(70)	-	(70)
Cash book balance at beginning of year	(70)	128 455 004	(70)	128 455 004
Cash book balance at end of year	-	(70)	-	(70)
Housing Account				
Standard Bank: Polokwane				
Account number: 330535269				
Bank statement balance at beginning of year	318 349	1 697 284	318 349	1 697 284
Bank statement balance at end of year	333 424	318 349	333 424	318 349
Cash book balance at beginning of year	318 349	1 697 284	318 349	1 697 284
Cash book balance at end of year	333 424	318 349	333 424	318 349
PHA bank balances	2 231 739	1 722 653		-
PHA cash on hand	1 000	-		-
Other	545	545	545	14 925
Petty cash	43 760	43 760	43 760	43 760
	7 474 049	(93 941 970)	5 241 310	(95 650 243)

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
16. PROPERTY RATES				
Residential	82 154 432	91 730 067	82 154 432	91 730 067
Government	22 876 995	9 885 762	22 876 995	9 885 762
Commercial	85 179 961	68 179 032	85 179 961	68 179 032
Other	21 718 224	3 800 203	21 718 224	3 800 203
	211 929 612	173 595 064	211 929 612	173 595 064
VALUATIONS	R000's	R000's	R000's	R000's
Residential	20 461 205	1 283 668	20 461 205	1 283 668
Government	3 328 973	131 181	3 328 973	131 181
Commercial	12 325 206	723 877	12 325 206	723 877
Municipal	1 878 292	233 884	1 878 292	233 884
Other	6 231 994	573 963	6 231 994	573 963
	44 225 670	2 946 573	44 225 670	2 946 573

Valuations on land are performed every four years and the last general valuation come into effect on 1 July 2010. The basic rate for 2010/11 was .020284c in the Rand on land. Different rebates are granted to owners dependent on the land value of the property. An additional rebate of 20% was granted to pensioners.

With the implementation of the new valuation roll, many residential properties were found to exercise illegal landuse rights. These properties were treated as businesses, therefore the decline in revenue of residential properties.

17. SERVICE CHARGES				
Sale of electricity	435 372 072	357 565 576	435 372 072	357 565 576
Administrative income	23 300	359 854		
Rental Income	10 069 286	10 315 457		
Sale of water	108 197 392	105 586 573	108 197 392	105 586 573
Refuse removal	44 289 851	40 972 883	44 289 851	40 972 883
Sewerage and sanitation charges	36 355 770	31 918 628	36 355 770	31 918 628
	634 307 671	546 718 971	624 215 085	536 043 660

18. GOVERNMENT SUBSIDIES & GRANTS

	360 475 959	364 356 044	360 475 959	364 356 044
Operating Grants				
Equitable share	307 859 481	246 638 411	307 859 481	246 638 411
Municipal systems improvement grant	750 000	400 000	750 000	400 000
Water services operating grant	14 667 000	20 806 000	14 667 000	20 806 000
Finance management grant	632 128	445 248	632 128	445 248
Municipal infrastructure grant	-	3 813 643	-	3 813 643
Public transport infrastructure and systems grant	35 000 000	35 930 806	35 000 000	35 930 806
Local Government Housing	-	1 421 935	-	1 421 935
Public partners	1 567 350	100 000	1 567 350	100 000
2010 world cup host city operating grant	-	54 800 000	-	54 800 000
	129 515 626	329 976 994	129 515 626	329 976 994
Capital Grants				
2010 FIFA World Cup Stadium grant	-	150 173 972	-	150 173 972
Municipal infrastructural grant	62 236 678	132 967 717	62 236 678	132 967 717
Finance management grant	367 872	304 752	367 872	304 752
Capricorn district municipality	-	2 259 174	-	2 259 174
Integrated national electrification programme grant	14 688 067	-	14 688 067	-
Electricity demand side management grant	14 510 469	-	14 510 469	-
Public transport infrastructure grant	11 528 190	40 912 606	11 528 190	40 912 606
Expanded public works programme incentive grant	2 478 852	1 091 750	2 478 852	1 091 750
Neighbourhood development	5 553 258	-	5 553 258	-
Public partners	1 961 094	-	1 961 094	-
Water services refurbishment grant	16 191 147	2 267 024	16 191 147	2 267 024
	489 991 585	694 333 038	489 991 585	694 333 038

18. GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)

18.1 Equitable Share				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	307 859 481	246 638 411	307 859 481	246 638 411
Conditions met – transferred to revenue	(307 859 481)	(246 638 411)	(307 859 481)	(246 638 411)
	-	-	-	-

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 R141.00 (2010: R130.50) which is funded from this grant.

18.2 Restructuring Grant				
Balance unspent at beginning of year	953 927	953 927	953 927	953 927
Current year receipts	-	-	-	-
Conditions met – transferred to revenue	-	-	-	-
Unspent amount transferred to liabilities	953 927	953 927	953 927	953 927
(see note 7)				
The grant was used for various restructuring initiatives.				

18.3 Finance Management Grant				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	1 000 000	750 000	1 000 000	750 000
Conditions met – transferred to revenue	(1 000 000)	(750 000)	(1 000 000)	(750 000)
Unspent amount transferred to liabilities	-	-	-	-
(see note 7)				

POLOKWANE MUNICIPALITY
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	2011 R	2010 R	2011 R	2010 R
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.				

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
18.4 Water Services Operating Subsidy Grant				
Current year receipts	14 667 000	20 806 000	14 667 000	20 806 000
Conditions met – transferred to revenue	(14 667 000)	(20 806 000)	(14 667 000)	(20 806 000)
Unspent amount transferred to liabilities	-	-	-	-
(see note 7)				
The grant was utilised to subsidize salaries of staff and repair and maintenance of water schemes transferred by DWAF.				
18.5 Public Transport Infrastructure and Systems Grant				
Balance unspent at beginning of year	11 528 189	27 225 601	11 528 189	27 225 601
Current year receipts	40 250 000	61 146 000	40 250 000	61 146 000
Conditions met – transferred to revenue	(46 528 189)	(76 843 412)	(46 528 189)	(76 843 412)
Unspent amount transferred to liabilities	5 250 000	11 528 189	5 250 000	11 528 189
(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	-	-	-	-
Current year receipts	750 000	400 000	750 000	400 000
Conditions met – transferred to revenue	(750 000)	(400 000)	(750 000)	(400 000)
Unspent amount transferred to liabilities	-	-	-	-
(see note 7)				
The purpose of the grant is for institutional systems. The grant was utilised.				
18. GOVERNMENT SUBSIDIES & GRANTS (CONTINUED)				
18.7 2010 FIFA World Cup Stadium Development Grant				
Balance unspent at beginning of year	-	128 455 004	-	128 455 004
Current year receipts	-	21 718 968	-	21 718 968
Conditions met – transferred to revenue	-	(150 173 972)	-	(150 173 972)
Unspent amount transferred to liabilities	-	-	-	-
(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				
Balance unspent at beginning of year	28 927 683	35 906 043	28 927 683	35 906 043
Current year receipts	151 829 000	129 803 000	151 829 000	129 803 000
Conditions met – transferred to revenue	(62 236 678)	(136 781 360)	(62 236 678)	(136 781 360)
Unspent amount transferred to liabilities	118 520 005	28 927 683	118 520 005	28 927 683
(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 Limpopo Provincial Government				
Balance unspent at beginning of year	2 949 710	2 949 710	2 949 710	2 949 710
Current year receipts	-	-	-	-
Conditions met – transferred to revenue	-	-	-	-
Unspent amount transferred to liabilities	2 949 710	2 949 710	2 949 710	2 949 710
(see note 7)				
The grant was used to plan the construction of the convention centre.				
18.10 Water Services Refurbishment Grant				
Balance unspent at beginning of year	16 191 147	8 621 171	16 191 147	8 621 171
Current year receipts	-	9 837 000	-	9 837 000
Conditions met – transferred to revenue	(16 191 147)	(2 267 024)	(16 191 147)	(2 267 024)
Unspent amount transferred to liabilities	-	16 191 147	-	16 191 147
(see note 7)				
The grant was utilised to subsidise water schemes transferred by DWAF.				
18.11 2010 World Cup Host City Operating Grant				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	-	54 800 000	-	54 800 000
Conditions met – transferred to revenue	-	(54 800 000)	-	(54 800 000)
Unspent amount transferred to liabilities	-	-	-	-
(see note 7)				
The grant was utilised to cover operational expenses associated with the hosting of the 2010 FIFA World Cup competition.				
18.12 Limpopo Local Government & Housing				
Balance unspent at beginning of year	318 349	1 697 284	318 349	1 697 284
Current year receipts	15 075	43 840	15 075	43 840
Conditions met – transferred to revenue	-	(1 422 775)	-	(1 422 775)
Unspent amount transferred to liabilities	333 424	318 349	333 424	318 349
(see note 7)				
The grant was used to fund the housing accreditation process				
18.13 Local Government Transition Grant				
Balance unspent at beginning of year	649 874	649 874	649 874	649 874
Current year receipts	-	-	-	-
Conditions met – transferred to revenue	-	-	-	-
Unspent amount transferred to liabilities	649 874	649 874	649 874	649 874
(see note 7)				
The grant was used to fund the local government transitional phase				

POLOKWANE MUNICIPALITY
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	2011 R	2010 R	2011 R	2010 R
18.14 Local Economic Development Grant				
Balance unspent at beginning of year	54 714	54 714	54 714	54 714
Current year receipts	-	-	-	-
Conditions met – transferred to revenue	-	-	-	-
Unspent amount transferred to liabilities	54 714	54 714	54 714	54 714
(see note 7)				
The grant was used to fund local economic development processes .				
18.15 Integrated National Electrification Programme Grant				
Balance unspent at beginning of year	14 680 271	7 058 388	14 680 271	7 058 388
Current year receipts	8 000 000	37 607 000	8 000 000	37 607 000
Conditions met – transferred to revenue	(14 688 067)	(29 985 117)	(14 688 067)	(29 985 117)
Unspent amount transferred to liabilities	7 992 204	14 680 271	7 992 204	14 680 271
(see note 7)				
The grant was used to fund projects to address electrification backlogs in rural areas .				
18.16 Electricity Demand Side Management Grant				
Balance unspent at beginning of year	2 767 678	-	2 767 678	-
Current year receipts	12 000 000	3 000 000	12 000 000	3 000 000
Conditions met – transferred to revenue	(14 510 470)	(232 322)	(14 510 470)	(232 322)
Unspent amount transferred to liabilities	257 208	2 767 678	257 208	2 767 678
(see note 7)				
The grant was used to fund projects in order to mitigate the risk of load shedding and supply interruptions .				

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
18.17 Expanded Public Works Programme Incentive Grant				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	3 448 950	-	3 448 950	-
Conditions met – transferred to revenue	(2 478 852)	-	(2 478 852)	-
Unspent amount transferred to liabilities	970 098	-	970 098	-
(see note 7)				
The grant was used to fund projects in order to maximise job creation and skills development .				
18.18 Electricity Demand Side Management Grant				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	8 158 550	-	8 158 550	-
Conditions met – transferred to revenue	(5 553 258)	-	(5 553 258)	-
Unspent amount transferred to liabilities	2 605 292	-	2 605 292	-
(see note 7)				
The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships .				
PUBLIC CONTRIBUTIONS, DONATED & CONTRIBUTED PROPERTY, PLANT & EQUIPMENT				
19 Loc/Eskom/Dept of Transport and Anglo Platinum				
Balance unspent at beginning of year	-	-	-	-
Current year receipts	29 824 444	-	29 824 444	-
Conditions met – transferred to revenue	(3 528 444)	-	(3 528 444)	-
Unspent amount transferred to liabilities	26 296 000	-	26 296 000	-
(see note 7)				
The grant was utilised to install electricity and road infrastructure.				
20. INVESTMENT REVENUE				
EXTERNAL INVESTMENTS				
Current account	2 760 982	7 062 574	2 759 280	7 056 806
External investments	5 078 795	24 627 137	5 078 795	24 627 137
Investment in PHA	-	-	629 582	552 265
	7 839 777	31 689 711	8 467 657	32 236 208
21. OTHER REVENUE				
Building plan fees	3 190 319	2 705 133	3 190 319	2 705 133
Consumer Connection fees	6 300 114	8 056 747	6 300 114	8 056 747
Sale of erven	21 430 899	24 882 191	21 430 899	24 882 191
Surcharge excess	28 689 765	4 970 327	28 689 765	4 970 327
Royalties Silicon	2 192 792	1 060 369	2 192 792	1 060 369
Services contributions	2 217 622	2 728 010	2 217 622	2 728 010
Reconnection and notice fees	5 471 096	5 992 267	5 471 096	5 992 267
Refund Seta levy	1 196 154	423 837	1 196 154	423 837
Laboratory tests	3 508 172	1 445 333	3 508 172	1 445 333
Stock gains	16 355 590	2 492 979	16 355 590	2 492 979
Fair value adjustment of investment property	-	-	-	-
Game sales	-	2 181 604	-	2 181 604
Sundry income	6 283 103	8 200 698	6 283 103	8 198 858
	96 835 627	65 139 496	96 835 627	65 137 656
22. EMPLOYEE RELATED COSTS				
Employee related cost - Salaries and wages	224 124 333	201 940 326	220 772 897	198 817 334
Employee related cost - Social contributions	56 140 565	52 848 614	56 140 565	52 848 614
Travel, motor car, accomodation & other allowances	22 269 567	19 054 783	22 269 567	19 054 783
Housing benefits and allowances	8 458 689	7 949 324	8 458 689	7 949 324
Overtime benefits	43 026 019	36 409 059	43 026 019	36 409 059
Leave reserve provision	5 372 469	16 067 534	5 372 469	16 067 534
Long term service awards	6 462 718	1 344 583	6 462 718	1 344 583
	365 854 360	335 614 223	362 502 924	332 491 231
There were no advances paid to employees. Loans to employees is set out in Note 10.				
Municipal Manager				
Annual remuneration	496 734	456 826	496 734	456 826
Allowances	139 188	112 000	139 188	112 000
Council Contributions	122 074	120 457	122 074	120 457
	757 996	689 283	757 996	689 283
The position was vacant for 4 months of the year.				
Chief Financial Officer				
Annual remuneration	807 095	727 560	807 095	727 560
Allowances	72 000	72 000	72 000	72 000
Council Contributions	181 809	173 039	181 809	173 039
	1 060 904	972 599	1 060 904	972 599

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	2011 R	2010 R	2011 R	2010 R
Director Planning				
Annual remuneration	402 265	517 518	402 265	517 518
Allowances	84 000	168 000	84 000	168 000
Council Contributions	71 261	128 628	71 261	128 628
	<u>557 526</u>	<u>814 146</u>	<u>557 526</u>	<u>814 146</u>
The position was vacant for 5 months of the year.				
Director Technical Services				
Annual remuneration	200 045	-	200 045	-
Allowances	63 280	-	63 280	-
Council Contributions	58 561	-	58 561	-
	<u>321 886</u>	<u>-</u>	<u>321 886</u>	<u>-</u>
The position was vacant for 7 months of the year.				
22. EMPLOYEE RELATED COSTS (CONT)				
Director Community Services				
Annual remuneration	508 375	462 583	508 375	462 583
Allowances	216 000	216 000	216 000	216 000
Council Contributions	148 569	139 792	148 569	139 792
	<u>872 944</u>	<u>818 375</u>	<u>872 944</u>	<u>818 375</u>
Director Corporate Services				
Annual remuneration	272 940	-	272 940	-
Allowances	54 240	-	54 240	-
Council Contributions	644	-	644	-
	<u>327 824</u>	<u>-</u>	<u>327 824</u>	<u>-</u>
The position was vacant for 7 months of the year.				
Director 2010				
Annual remuneration	576 428	520 938	576 428	520 938
Allowances	168 000	168 000	168 000	168 000
Council Contributions	149 614	144 093	149 614	144 093
	<u>894 042</u>	<u>833 031</u>	<u>894 042</u>	<u>833 031</u>
No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.				
23. REMUNERATION OF COUNCILLORS				
Executive Mayor	745 004	710 756	745 004	710 756
Speaker	599 569	558 605	599 569	558 605
Chief Whip	485 433	524 855	485 433	524 855
Mayoral Committee members	3 816 886	3 601 267	3 816 886	3 601 267
Councillors	14 131 997	12 800 919	14 131 997	12 800 919
	<u>19 778 889</u>	<u>18 196 402</u>	<u>19 778 889</u>	<u>18 196 402</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	88 199	32 692	88 199	32 692
Annuity loans	15 376 598	26 979 099	12 170 578	23 594 043
	<u>15 464 797</u>	<u>27 011 791</u>	<u>12 258 777</u>	<u>23 626 735</u>
25. BULK PURCHASES				
Electricity	313 590 343	229 752 004	313 590 343	229 752 004
Water	104 811 851	85 079 251	104 811 851	85 079 251
	<u>418 402 194</u>	<u>314 831 255</u>	<u>418 402 194</u>	<u>314 831 255</u>

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
26. GRANT AND SUBSIDIES PAID				
Animal care : SPCA	240 000	220 000	240 000	220 000
	<u>240 000</u>	<u>220 000</u>	<u>240 000</u>	<u>220 000</u>
27. GENERAL EXPENSES				
Free basic services	16 139 113	13 346 554	16 139 113	13 346 554
Printing and stationery	4 049 696	3 018 491	4 049 696	3 018 491
Rental equipment	10 365 297	9 051 080	10 365 297	9 051 080
Stores and material	3 689 180	3 594 450	3 689 180	3 594 450
Meter reading	4 200 976	3 366 107	4 200 976	3 366 107
Research and development	1 679 953	2 532 440	1 679 953	2 532 440
Training	2 491 358	1 927 322	2 491 358	1 927 322
Postage and telegram	1 966 669	1 862 380	1 966 669	1 862 380
Legal expenses	2 159 657	2 712 444	2 159 657	2 712 444
Subsistence and travelling	4 088 123	4 729 772	4 088 123	4 729 772
Security services	18 841 465	12 204 920	17 780 759	11 080 346
Telephone costs	5 087 758	5 500 128	5 087 758	5 500 128
Garden services	4 955 221	2 250 028	4 955 221	2 250 028
Awareness campaigns	67 685	59 270	67 685	59 270
Insurance	7 345 025	9 336 419	7 345 025	9 336 419
Levy Seta training	2 966 776	2 552 117	2 966 776	2 552 117
Street cleaning	7 795 615	7 843 641	7 795 615	7 843 641
Cost of unsold property	-	984 211	-	984 211
Provision for rehabilitation of landfill sites	276 971	251 792	276 971	251 792
Fuel and oil	5 896 419	8 955 203	5 896 419	8 955 203
Bank charges	3 041 560	1 646 330	2 959 897	1 419 852
Festivals	-	1 554 808	-	1 554 808
2010 Operating expenses	53 458 437	95 656 135	53 458 437	95 656 135
Subscription fees	2 699 670	2 473 135	2 687 032	2 426 556
Medical aid contributions continued members	22 631 323	3 093 780	22 631 323	3 093 780
Valuation roll	1 988 333	7 011 477	1 988 333	7 011 477
Waste disposal	6 853 970	4 605 931	6 853 970	4 605 931
Other	54 008 763	42 463 913	51 954 574	39 506 287
	<u>248 745 012</u>	<u>254 584 277</u>	<u>245 535 816</u>	<u>250 229 020</u>
28. CORRECTION OF ERROR				
28.1				
This year the municipality recognised the employee benefits in terms of IAS 19. Previously the contribution made was expensed in the year in which it was paid				
The comparative amounts have been restated to conform to the accounting standards.				
The effect on prior year balances is as follows:				
	Adjustment	Newly stated	Adjustment	Newly stated
Accumulated surplus	139 404 374	139 404 374	139 404 374	139 404 374
Adjustment on Post-employment health care benefits	124 945 775	124 945 775	124 945 775	124 945 775
Adjustment on long service awards	8 873 872	8 873 872	8 873 872	8 873 872
Adjustment ex-gratia benefits	5 584 727	5 584 727	5 584 727	5 584 727
Balance previously stated	-	-	-	-
28.2				
The correction of the errors results in adjustments of rental income				
The effect on prior year balances is as follows:				
Retained income	2 182 733	37 913 600	-	-
Previously stated	-	35 730 867	-	-
29. CASH GENERATED FROM/(UTILISED IN) OPERATIONS				
Net surplus for the year	120 174 735	436 720 809	113 164 945	439 271 615
Adjustment for:	-	-	-	-
Correction of prior year error	(131 731 641)	(24 774 464)	(131 731 641)	(24 774 464)
Depreciation charges	172 634 486	107 943 732	172 412 242	107 768 136
Interest received	(8 469 359)	(32 241 976)	(8 467 657)	(32 236 208)
Loss on disposal of property, plant and equipment	-	1 204	-	-
Interest paid	16 094 379	27 534 056	12 258 777	23 626 735
Operating surplus before working capital changes	168 702 600	515 183 361	157 636 666	513 655 814
(Increase)/decrease in inventories	(18 514 341)	(7 466 947)	(18 514 341)	(7 466 947)
(Increase)/decrease in debtors	(61 476 325)	(32 868 717)	(59 992 224)	(31 178 530)
(Increase)/decrease in other debtors	2 799 998	(1 385 489)	2 799 998	(1 385 489)
Increase/(decrease) in conditional grants	87 810 916	(136 859 349)	87 810 916	(136 859 349)
Increase/(decrease) in creditors	(39 996 142)	9 405 774	(40 695 037)	9 551 354
Increase/(decrease) in Deferred income	1 301 598	3 194 529	-	-
Increase/(decrease) in provisions	152 311 541	2 728 801	152 077 967	2 728 801
(Increase)/decrease in VAT	31 810 260	12 725 002	31 810 260	12 725 002
Cash generated by operations	324 750 107	364 656 966	312 934 207	361 770 656
30. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003				
30.1 Contribution to SALGA				
Council membership fees payable	1 877 425	1 685 865	1 877 425	1 685 865
Amount paid current year	(1 877 425)	(1 685 865)	(1 877 425)	(1 685 865)
Balance unpaid (included in creditors)	-	-	-	-
30.2 Audit Fees				
Current year audit fee	3 302 872	1 643 418	3 101 941	1 510 210
Amount paid current year	(3 302 872)	(1 643 418)	(3 101 941)	(1 510 210)
Balance unpaid (included in creditors)	-	-	-	-

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R	2011 R	2010 R
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	47 486 008	39 109 530	47 486 008	39 109 530
Amount paid current year	(47 486 008)	(39 109 530)	(47 486 008)	(39 109 530)
Balance unpaid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30.5 Unemployment Insurance Fund (UIF)				
Current payroll deductions	3 883 679	3 589 908	3 883 679	3 589 908
Amount paid current year	(3 883 679)	(3 589 908)	(3 883 679)	(3 589 908)
Balance unpaid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30. ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (CONT)				
30.6 Medical Aid				
Current payroll deductions	24 467 420	20 461 936	24 467 420	20 461 936
Amount paid current year	(24 467 420)	(20 461 936)	(24 467 420)	(20 461 936)
Balance unpaid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30.7 Pension Fund				
Current payroll deductions	56 534 057	50 329 279	56 534 057	50 329 279
Amount paid current year	(56 534 057)	(50 329 279)	(56 534 057)	(50 329 279)
Balance unpaid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31. INVESTMENT PROPERTY				
Cost	204 725 363	204 404 523	125 510 500	125 510 500
Correction of error	-	-	-	-
Change in accounting policy	-	-	-	-
Acquisitions	82 460	320 840	-	-
Disposal	-	-	-	-
Impairment	-	-	-	-
TOTAL	<u>204 807 823</u>	<u>204 725 363</u>	<u>125 510 500</u>	<u>125 510 500</u>
RECONCILIATION OF INVESTMENT PROPERTY				
Opening balance 1 July	204 725 363	204 404 523	125 510 500	125 510 500
Additions	82 460	320 840	-	-
Disposal	-	-	-	-
Impairment	-	-	-	-
Closing balance at 30 June	<u>204 807 823</u>	<u>204 725 363</u>	<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	302 802 000	420 576 696	302 802 000	420 576 696
The expenditure will be financed from:				
- Capital Replacement Reserve	166 185 733	137 110 130	166 185 733	137 110 130
- Government and other Grants	136 616 267	283 466 566	136 616 267	283 466 566
	<u>302 802 000</u>	<u>420 576 696</u>	<u>302 802 000</u>	<u>420 576 696</u>

POLOKWANE MUNICIPALITY
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

33.	CONTINGENT LIABILITIES	2011 R	2010 R	2011 R	2010 R
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	400 000	400 000
33.2	Kenro Construction CC Dispute regarding specifications in tender document.	20 000	20 000	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	30 000	30 000
33.4	Gazani Building Contractors and Iliad Africa t/a Builder Market Matter finalized		35 000	-	35 000
33.5	Braam Pretorius Damages claim for injuries against municipality following incident at Florapark Dam.	250 000	250 000	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	70 000	70 000
33.7	Oscor Domestic Installations Dispute regarding awarding of tender.	300 000	300 000	300 000	300 000
33.8	Mokone Mokone Attorneys. Claiming payment of purchase price in transfer of Erf 8137 P/burg x11 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	210 000	210 000
33.10	MGN Joint Venture Arbitration pending	250 000	250 000	250 000	250 000
33.11	Matrix Project Developers Summons for payment of alleged outstanding accounts	28 000 000	28 000 000	28 000 000	28 000 000
33.12	PC Rakgoale Claim for damages caused to municipal property.	100 000	100 000	100 000	100 000
33.13	K Yendall Seeks payment for alleged outstanding pension benefits	160 000	160 000	160 000	160 000
33.14	Blue Sands Trading Claim for payment in terms of session.	1 300 000	1 300 000	1 300 000	1 300 000
33.15	Eli Stroh & Mbhovu JV Application against awarding of tender.	250 000	250 000	250 000	250 000
33.16	Limpopo tribunal hearing Limpopo tribunal hearing on objection to Ivypark extensio	850 000	850 000	850 000	850 000
33.17	Linchi property consultants Cancellation of contract by municipality upheld by court	300 000	300 000	300 000	300 000
33.18	Weltevreden landfill site Matter finalized	20 000	600 000	20 000	600 000
33.19	T T Sekoati Claim for alleged acting allowance against Council	20 000	20 000	20 000	20 000
33.20	OA International Claim of alleged arrear consulting fees	100 000	100 000	100 000	100 000
33.21	Davel Planers Appeal against LUMC resolution i.t.o clause 21 applicatio	50 000	50 000	50 000	50 000
33.22	Various property owners Legal action taken against 24 property owners allowing illegal land uses	200 000	75 000	200 000	75 000
	Spix Property Developers	500 000	-	500 000	

The above legal matters are ongoing and have not yet been finalised.

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL 35 EXPENDITURE DISALLOWED	Economic Entity		Polokwane Municipality	
	2 011	2 010	2 011	2 010
35.1 Unauthorised expenditure				
Reconciliation of unauthorised expenditure				
Opening balance	182 218 767	151 281 000	182 218 767	151 281 000
Unauthorised expenditure current year	-	30 937 767	-	30 937 767
Approved by Council or condoned	-	-	-	-
Transfer to receivables for recovery	-	-	-	-
Unauthorised expenditure awaiting authorisation	182 218 767	182 218 767	182 218 767	182 218 767
During the previous year, the municipality spent R 20 021 741 of the conditional grants for purposes not intended The actual surplus is R10 916 026 less than the budgeted surplus (Appendix E1)				
35.2 Fruitless and wasteful expenditure				
Reconciliation of fruitless and wasteful expenditure				
Opening balance -	909 100	909 100	909 100	909 100
Fruitless and wasteful expenditure current year	-	-	-	-
Condoned or written off by Council	-	-	-	-
To be recovered – contingent asset	-	-	-	-
Fruitless and wasteful expenditure awaiting condonement	909 100	909 100	909 100	909 100
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	372 263	325 126	372 263	325 126
Mayor over payment	-	-	-	-
Fruitless and wasteful expenditure current - Traditional leaders	-	92 077	-	92 077
Fruitless and wasteful expenditure current year-council	-	-	-	-
Overpayment Councillors	-	-	-	-
Underpayment Councillors	-	-	-	-
Overpayment S57 Managers	-	-	-	-
Condoned or written off by Council	-	(44 940)	-	(44 940)
Transfer to receivables for recovery – not condoned	-	-	-	-
Irregular expenditure awaiting condonement	372 263	372 263	372 263	372 263
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 PROVISIONS

36.1 Provision for rehabilitation of landfill sites

Carrying amount at beginning of year	2 769 712	2 517 920	2 769 712	2 517 920
Additions during the year	276 971	251 792	276 971	251 792
Reductions during the year	-	-	-	-
Carrying amount at end of year	3 046 683	2 769 712	3 046 683	2 769 712

The Weltevreden Landfill Site is a permitted facility in terms of Section 20 of the

Environmental Conservation Act (Act 73 of 1989) and is located on portion 4 of the farm

Weltevreden 746 LS - District Polokwane. The expected life span of the site is a further 13 years

36.2 Provision for leave bonuses (13th cheque)

Carrying amount at beginning of year	16 186 755	14 392 221	16 186 755	14 392 221
Additions during the year	1 409 329	16 186 755	1 175 755	16 186 755
Reductions during the year	-	14 392 221	-	14 392 221
Carrying amount at end of year	17 596 084	44 971 197	17 362 510	16 186 755

Employees rendered a service to the year and are entitled to a 13th cheque/bonus

37 Post-Employment Health Care Benefits

Fair value of plan assets	-	-	-	-
Accrued liability	138 685 784	124 945 775	138 685 784	124 945 775
Unfunded Accrued Liability	138 685 784	124 945 775	138 685 784	124 945 775
Unrecognised actuarial gains/(losses)	-	-	-	-
Unrecognised past service cost	-	-	-	-
Miscellaneous item	-	-	-	-
Net Liability in Balance Sheet	138 685 784	124 945 775	138 685 784	124 945 775

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	124 945 775	124 463 553	124 945 775	124 463 553
Current-service cost	6 813 415	5 985 580	6 813 415	5 985 580
Interest cost	11 372 251	11 217 998	11 372 251	11 217 998
Expected return on plan assets	-	-	-	-
Actuarial (Gain)/Loss	-	(13 074 494)	-	(13 074 494)
Past-service cost	-	-	-	-
Effect of curtailment/settlement	-	-	-	-
Actual employer benefit payments	(4 445 656)	(3 646 862)	(4 445 656)	(3 646 862)
Employer prefunding contributions	-	-	-	-
Closing Balance	138 685 785	124 945 775	138 685 785	124 945 775

Net liability to reflect in the balance sheet

Opening balance	124 945 775	-	124 945 775	-
Current-service cost	6 813 415	5 985 580	6 813 415	5 985 580
Interest	11 372 251	11 217 998	11 372 251	11 217 998
Expected return on plan assets	-	-	-	-
Transitional liability recognised	-	-	-	-
Actuarial (Gain)/loss recognised in P&L	-	(13 074 494)	-	(13 074 494)
Past-service cost recognised	-	-	-	-
Effect of curtailment/settlement	-	-	-	-
Net Pre-emptive Cost Recognised in P&L	143 131 441	4 129 084	143 131 441	4 129 084
Actual employer benefits payments	(4 445 656)	(3 646 862)	(4 445 656)	(3 646 862)
Transitional liability recognised	-	-	-	-
Employer prefunding contributions	-	-	-	-
Transitional liability recognised P&L	-	124 463 553	-	124 463 553
Actuarial (Gain)/loss recognised outside P&L	-	-	-	-
Closing Balance	138 685 785	124 945 775	138 685 785	124 945 775

The following assumptions has been used for current and prior year

Discount rate	9%	11%	9%	11%
Health care cost inflation rate	10%	8%	10%	8%

38 Long Service Awards

Fair value of plan assets	-	-	-	-
Accrued liability	10 891 471	8 873 872	10 891 471	8 873 872
Unfunded Accrued Liability	10 891 471	8 873 872	10 891 471	8 873 872
Unrecognised actuarial gains/(losses)	-	-	-	-
Unrecognised past service cost	-	-	-	-
Miscellaneous item	-	-	-	-
Net Liability in Balance Sheet	10 891 471	8 873 872	10 891 471	8 873 872

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	8 873 872	6 944 166	8 873 872	6 944 166
Current-service cost	1 822 778	1 161 279	1 822 778	1 161 279
Interest cost	604 072	574 893	604 072	574 893
Expected return on plan assets	-	-	-	-
Actuarial (Gain)/Loss	-	505 984	-	505 984
Past-service cost	-	-	-	-
Effect of curtailment/settlement	-	-	-	-
Actual employer benefit payments	(409 251)	(312 450)	(409 251)	(312 450)
Employer prefunding contributions	-	-	-	-
Closing Balance	10 891 471	8 873 872	10 891 471	8 873 872

Net liability to reflect in the balance sheet

Opening balance	8 873 872	-	8 873 872	-
Current-service cost	1 822 778	1 161 279	1 822 778	1 161 279
Interest	604 072	574 893	604 072	574 893
Expected return on plan assets	-	-	-	-
Transitional liability recognised	-	-	-	-
Actuarial (Gain)/loss recognised in P&L	-	505 984	-	505 984
Past-service cost recognised	-	-	-	-
Effect of curtailment/settlement	-	-	-	-
Net Pre-dioic Cost Recognised in P&L	11 300 722	2 242 156	11 300 722	2 242 156
Actual employer benefits payments	(409 251)	(312 450)	(409 251)	(312 450)
Transitional liability recognised	-	-	-	-
Employer prefunding contributions	-	-	-	-
Transitional liability recognised outside P&L	-	6 944 166	-	6 944 166
Actuarial (Gain)/loss recognised outside P&L	-	-	-	-
Closing Balance	10 891 471	8 873 872	10 891 471	8 873 872

Employees qualify for the following long service awards:
- After 10 years of continuous service an amount of R581 (adjusted annually) per each year of service
- After 20 years of continuous service a watch to the value of R5 253 (adjusted annually)
- Additional 10,20 and 30 leave days for 10,15 and each 5 years after 15 years of service respectively

39 Ex-gratia benefits

Fair value of plan assets	-	-	-	-
Accrued liability	6 186 486	5 584 727	6 186 486	5 584 727
Unfunded Accrued Liability	6 186 486	5 584 727	6 186 486	5 584 727
Unrecognised actuarial gains/(losses)	-	-	-	-
Unrecognised past service cost	-	-	-	-
Miscellaneous item	-	-	-	-
Net Liability in Balance Sheet	6 186 486	5 584 727	6 186 486	5 584 727

Reconciling and projecting the unfunded accrued liability

Unfunded Accrued Liability

Opening balance	5 584 727	4 838 110	5 584 727	4 838 110
Current-service cost	428 348	466 926	428 348	466 926
Interest cost	512 861	558 551	512 861	558 551
Expected return on plan assets	-	-	-	-
Actuarial (Gain)/Loss	-	(21 153)	-	(21 153)
Past-service cost	-	-	-	-
Effect of curtailment/settlement	-	-	-	-
Actual employer benefit payments	(339 450)	(257 707)	(339 450)	(257 707)
Employer prefunding contributions	-	-	-	-
Closing Balance	6 186 486	5 584 727	6 186 486	5 584 727

Net liability to reflect in the balance sheet

Opening balance	5 584 727	-	5 584 727	-
Current-service cost	428 348	466 926	428 348	466 926
Interest	512 861	558 551	512 861	558 551
Expected return on plan assets	-	-	-	-
Transitional liability recognised	-	-	-	-
Actuarial (Gain)/loss recognised in P&L	-	(21 153)	-	(21 153)
Past-service cost recognised	-	-	-	-
Effect of curtailment/settlement	-	-	-	-
Net Prediic Cost Recognised in P&L	6 525 936	1 004 324	6 525 936	1 004 324
Expected employer benefits payments	(339 450)	(257 707)	(339 450)	(257 707)
Transitional liability recognised	-	-	-	-
Employer prefunding contributions	-	-	-	-
Transitional liability recognised outside P&L	-	4 838 110	-	4 838 110
Actuarial (Gain)/loss recognised outside P&L	-	-	-	-
Closing Balance	6 186 486	5 584 727	6 186 486	5 584 727
Total Provisions	176 406 508		176 172 934	

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 Banks	219 993 042	58 999 800	219 993 042	58 999 800
Trade and other receivables	216 135 482	138 574 859	213 642 305	137 565 782
	436 128 524	197 574 659	433 635 347	196 565 582

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	298 730 224	85 884 823	257 475 924	47 866 125
Trade and other payables	172 660 696	212 656 835	169 054 236	209 749 270
	471 390 920	298 541 658	426 530 160	257 615 395

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.

	13 868 634	171 577 853	13 868 634	171 577 853
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APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

External Loans	Loan No.	Redeemable	Balance at 30 June 2010	Received during the period	Redeemed or written off during the period	Balance at 30 June 2011
			R	R	R	R
LONG TERM LOANS						
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
			781 995	0	0	781 995
ANNUITY LOAN						
ANNUITY LOAN @ 11.52%	61000907	2019/20	50 000 000		2 874 203	47 125 797
ANNUITY LOAN @ 8.875%	61006782	2020/21		233 151 298		233 151 298
			50 000 000	233 151 298	2 874 203	280 277 095
Total External Loans			50 781 995	233 151 298	2 874 203	281 059 090

**APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2011**

	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	249 707 150	175 476	278 717	0	250 161 343	0	1 089 959	0	1 089 959	249 071 384
Land	249 707 150	175 476	278 717		250 161 343		1 089 959		1 089 959	249 071 384
BUILDINGS	2 012 484 962	-220 591 989	13 696 604	0	1 805 589 577	102 829 992	57 920 550	0	160 750 542	1 644 839 035
Dwellings	31 751 200	549 119			32 300 319	3 214 606	1 075 941		4 290 547	28 009 772
Non Residential	1 980 733 762	-221 141 108	13 696 604		1 773 289 258	99 615 386	56 844 609		156 459 995	1 616 829 263
INFRASTRUCTURE	2 776 513 576	280 312 023	138 898 448	0	3 195 724 047	169 918 964	81 934 605	0	251 853 569	2 943 870 478
Electricity reticulation	670 998 833	126 820 712	24 106 033		821 925 578	40 873 731	20 029 657		60 903 388	761 022 190
Roads, pavements, bridges & stormwater	1 372 379 078	24 651 087	48 852 363		1 445 882 528	95 276 686	40 415 122		135 691 808	1 310 190 720
Water reservoirs & reticulation	440 968 675	118 253 340	31 907 660		591 129 675	20 911 456	15 687 236		36 598 692	554 530 983
Sewerage purification & reticulation	281 377 500	10 166 760	33 726 407		325 270 667	12 498 986	5 514 329		18 013 315	307 257 352
Solid Waste	8 380 007	356 561			8 736 568	56 704	167 949		224 653	8 511 915
Cemetaries	2 409 483	63 563	305 985		2 779 031	301 401	120 312		421 713	2 357 318
MOVABLE & OTHER ASSETS	141 047 305	64 753 173	38 317	769 868	205 068 926	30 622 027	25 531 629	417 427	55 736 227	149 332 699
Machinery & equipment	63 546 706	47 128 183	38 317	155 306	110 557 899	10 008 811	14 271 060	39 812	24 240 058	86 317 841
Furniture & Equipment	12 876 537	9 574 383		12 528	22 438 392	4 637 537	3 217 974	7 847	7 847 664	14 590 728
Computer Equipment	7 563 240	2 469 592		298 778	9 734 054	3 106 595	1 638 080	225 784	4 518 891	5 215 163
Transport Vehicles	57 060 822	5 581 015		303 256	62 338 581	12 869 084	6 404 515	143 985	19 129 614	43 208 967
HERITAGE ASSETS	8 112 016	276 561	0	0	8 388 577	0	1 709 475	0	1 709 475	6 679 102
Heritage assets	8 112 016	276 561			8 388 577		1 709 475		1 709 475	6 679 102
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	37 530 283	7 016 103	4 009 550	0	48 555 936	2 868 014	4 502 640	0	7 370 654	41 185 282
Intangible Assets	37 530 283	7 016 103	4 009 550		48 555 936	2 868 014	4 502 640		7 370 654	41 185 282
TOTAL	5 234 169 677	131 941 346	156 921 636	769 868	5 522 262 791	306 238 997	172 688 856	417 427	478 510 426	5 043 752 365

**APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT & EQUIPMENT AS AT 30 JUNE 2011**

	HISTORICAL COST					ACCUMULATED DEPRECIATION					Carrying Value
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Closing Balance		
	R	R		R	R	R	R	R	R	R	
EXECUTIVE COUNCIL	1 059 060	149 980	-	-	1 209 040	368 632	53 554	-	422 186	786 854	
Executive Council	1 059 060	149 980			1 209 040	368 632	53 554		422 186	786 854	
BUDGET & TREASURY OFFICE	(3 187 869)	10 365 520	2 709 680	618 953	9 268 378	(178 011)	3 004 366	378 454	2 447 901	6 820 477	
Finance	(3 187 869)	10 365 520	2 709 680	618 953	9 268 378	(178 011)	3 004 366	378 454	2 447 901	6 820 477	
CORPORATE SERVICES	353 975 992	(31 548 739)	2 061 229	150 916	324 337 566	25 252 855	4 344 271	38 973	29 558 153	294 779 413	
Human Resources	853 524	438 564			1 292 088	407 622	2 223		409 845	882 243	
IT Services	5 740 766	3 185 930	1 299 870		10 226 566	1 049 281	1 243 883		2 293 164	7 933 402	
Property Services	269 850 512	1 121 209	761 359		271 733 080	12 677 507	3 947 052		16 624 559	255 108 521	
Other Admin	77 531 190	(36 294 442)		150 916	41 085 832	11 118 445	(848 887)	38 973	10 230 585	30 855 247	
COMMUNITY & SOCIAL SERVICES	149 389 170	7 068 459	305 985	-	156 763 614	18 705 945	9 246 654	-	27 952 599	128 811 015	
Libraries & archives	41 168 606	2 114 237			43 282 843	5 213 055	3 318 841		8 531 896	34 750 947	
Museums	84 719 572	973 509			85 693 081	11 677 178	4 704 047		16 381 225	69 311 856	
Community halls & facilities	4 181 331	1 122 328			5 303 659	37 527	313 509		351 036	4 952 623	
Cemeteries & crematoriums	2 742 773	2 926 093	305 985		5 974 851	417 084	619 809		1 036 893	4 937 958	
Other Social Services	16 576 888	(67 708)			16 509 180	1 361 101	290 448		1 651 549	14 857 631	
SPORT & RECREATION	1520 776 928	11 139 503	6 030 993	-	1537 947 424	35 768 566	60 106 619	-	95 875 185	1442 072 239	
Sport & recreation	1520 776 928	11 139 503	6 030 993		1 537 947 424	35 768 566	60 106 619		95 875 185	1 442 072 239	
PUBLIC SAFETY	52 358 524	23 654 304	-	-	76 012 828	9 650 635	7 638 917	-	17 289 552	58 723 276	
Police	29 546 141	(1 310 795)			28 235 346	5 520 636	3 432 451		8 953 087	19 282 259	
Fire	21 651 328	23 026 690			44 678 018	4 096 515	4 148 587		8 245 102	36 432 916	
Street lighting	1 161 055	1 938 409			3 099 464	33 484	57 879		91 363	3 008 101	
HOUSING	4 353 352	133 145	-	-	4 486 497	412 686	197 926	-	610 612	3 875 885	
Housing	4 353 352	133 145			4 486 497	412 686	197 926		610 612	3 875 885	
HEALTH	2 436 142	(111 151)	-	-	2 324 991	629 302	63 628	-	692 930	1 632 061	
Clinics	2 436 142	(111 151)			2 324 991	629 302	63 628		692 930	1 632 061	
PLANNING & DEVELOPMENT	96 537 740	5 427 578	6 274 744	-	108 240 062	1 856 168	3 402 831	-	5 258 999	102 981 063	
Economic development	19 882 084	269 525	5 996 027		26 147 636	1 046 387	555 209		1 601 596	24 546 040	
Town Planning	76 191 620	5 028 914	278 717		81 499 251	587 272	2 758 843		3 346 115	78 153 136	
Licensing & Regulation	464 036	129 139			593 175	222 509	88 779		311 288	281 887	
ROAD TRANSPORT	1379 720 196	31 888 137	49 015 079	-	1 460 623 412	97 505 557	42 859 276	-	140 364 833	1 320 258 579	
Roads	1379 638 996	31 865 426	49 015 079		1 460 519 501	97 482 528	42 844 929		140 327 457	1 320 192 044	
Vehicle licensing & testing	81 200	22 711			103 911	23 029	14 347		37 376	66 535	
ENVIRONMENTAL PROTECTION	11 039 413	255 677	-	-	11 295 090	345 867	122 956	-	468 823	10 826 267	
Pollution Control	26 176	4 167			30 343	11 183	1 571		12 754	17 589	
Game Reserve	11 013 237	251 510			11 264 747	334 684	121 385		456 069	10 808 678	
ELECTRICITY	618 090 793	114 992 022	24 140 789	-	757 223 604	43 479 484	17 465 228	-	60 944 712	696 278 892	
Electricity distribution	618 090 793	114 992 022	24 140 789		757 223 604	43 479 484	17 465 228		60 944 712	696 278 892	
WATER	583 162 206	(54 707 037)	34 873 294	-	563 328 463	24 016 452	10 380 354	-	34 396 806	528 931 657	
Water distribution	445 857 495	(56 869 624)	34 834 977		423 822 848	15 785 438	6 911 528		22 696 966	401 125 882	
Water storage	137 304 711	2 162 587	38 317		139 505 615	8 231 014	3 468 826		11 699 840	127 805 775	
WASTE WATER MANAGEMENT	426 676 272	10 662 819	31 509 843	-	468 848 934	43 464 674	10 680 773	-	54 145 447	414 703 487	
Sewerage	420 106 750	10 662 819	31 509 843		462 279 412	43 147 191	10 549 329		53 696 520	408 582 892	
Stormwater	6 561 202	-			6 561 202	316 929	131 166		448 095	6 113 107	
Public toilets	8 320	-			8 320	554	278		832	7 488	
WASTE MANAGEMENT	37 781 758	2 571 130	-	-	40 352 888	4 960 185	3 121 503	-	8 081 688	32 271 200	
Solid waste	37 781 758	2 571 130			40 352 888	4 960 185	3 121 503		8 081 688	32 271 200	
TOTAL	5 234 169 677	131 941 346	156 921 636	769 868	5 522 262 791	306 238 997	172 688 856	417 427	478 510 426	5 043 752 365	

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)		2011 Actual Income	2011 Actual Expenditure	2011 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	130 440 082	(130 440 082)	Executive & Council	-	163 053 229	(163 053 229)
	31 247 003	(31 247 003)	Council general expenses		96 878 897	(96 878 897)
	103 324	(103 324)	Municipal Manager		2 039 218	(2 039 218)
	98 117 886	(98 117 886)	2010		56 282 160	(56 282 160)
	971 869	(971 869)	Secretariat & Records		7 852 954	(7 852 954)
952 838 781	134 884 999	817 953 782	Finance & Admin	750 455 637	193 687 053	556 768 584
			Finance			
724 550 478		724 550 478	Intergovernmental transfers	489 991 585		489 991 585
	3 431 418	(3 431 418)	Mankweng/Sebayeng		3 087 441	(3 087 441)
51 015 717	22 721 133	28 294 584	Financial services	30 230 469	49 177 794	(18 947 325)
173 595 064	16 723 210	156 871 854	Assessment rates	211 929 612	2 842 010	209 087 602
	579 825	(579 825)	Human Resources			
	19 709 484	(19 709 484)	O & W		1 242 573	(1 242 573)
423 837	1 257 642	(833 805)	Personnel		14 890 664	(14 890 664)
	363 562	(363 562)	Training	1 196 154	7 428 812	(6 232 657)
106 575	379 641	(273 066)	Labour relations		3 073 866	(3 073 866)
	208 853	(208 853)	Occupational Health	22 863	883 460	(860 597)
			IT	67	16 917 299	(16 917 232)
	8 216 557	(8 216 557)	Property Services			
	655 939	(655 939)	Administration		8 776 528	(8 776 528)
			Civic Centre		7 760 473	(7 760 473)
	748 464	(748 464)	Other Admin			
	56 881	(56 881)	Com & public participation		9 863 175	(9 863 175)
	3 828 637	(3 828 637)	Security & risk management		636 194	(636 194)
	68 693	(68 693)	Project Management		5 179 328	(5 179 328)
	2 196 051	(2 196 051)	Internal audit		1 209 212	(1 209 212)
	8 287 016	(8 287 016)	Technical depot		1 214 868	(1 214 868)
	19 083 122	(19 083 122)	Transport workshop		8 698 272	(8 698 272)
	4 864 952	(4 864 952)	Community security		36 433 055	(36 433 055)
	21 503 918	(18 356 808)	Legal Services		5 525 687	(5 525 687)
3 147 110			Procurement	17 084 888	8 846 343	8 238 545
33 813 178	26 390 811	7 422 367	Planning & Development	27 053 135	26 062 540	990 595
30 759 876	4 796 167	25 963 709	Land use management	23 497 868	4 003 506	19 494 362
219 920	5 895 090	(5 675 170)	Spatial Planning	180 398	7 159 763	(6 979 365)
2 833 382	5 387 419	(2 554 037)	Building inspections	3 374 870	4 608 462	(1 233 593)
	2 719 142	(2 719 142)	Local economic development		1 547 350	(1 547 350)
	1 455 470	(1 455 470)	Community development		1 721 493	(1 721 493)
	525 505	(525 505)	Investment promotion		947 326	(947 326)
	2 573 160	(2 573 160)	Economic planning		2 609 264	(2 609 264)
	3 038 858	(3 038 858)	IDP		3 465 376	(3 465 376)

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)		2011 Actual Income	2011 Actual Expenditure	2011 Actual Surplus/ (Deficit)
R	R	R		R	R	R
-	6 805 929	(6 805 929)	Health	-	4 094 001	(4 094 001)
	3 513 634	(3 513 634)	Clinics		1 867 743	(1 867 743)
	3 292 295	(3 292 295)	Health inspection		2 226 258	(2 226 258)
5 504 228	41 484 806	(35 980 578)	Community Services	3 326 580	39 384 526	(36 057 946)
323 277	13 735 003	(13 411 726)	Libraries	324 785	13 830 223	(13 505 438)
	1 146 779	(1 146 779)	Museums		777 648	(777 648)
89 036	9 585 880	(9 496 844)	Art Museum		9 889 369	(9 778 381)
251 912	2 661 612	(2 409 700)	Museum	110 988	1 953 370	(1 680 530)
591 389	3 810 203	(3 218 814)	Community centres	272 839	4 755 832	(4 120 835)
	6 197 323	(2 042 629)	Cemeteries	634 997		
4 154 694	1 626 988	(1 533 068)	Other Community		5 775 398	(3 934 383)
93 920	2 721 019	(2 721 019)	Game Reserve	1 841 015	1 302 616	(1 160 659)
	6 674 876	(6 577 614)	Showgrounds	141 956	1 100 071	(1 100 071)
97 262			Cultural desk			
	6 671 620	(6 671 620)	Housing	62 815	5 067 347	(5 004 531)
92 894	2 786	90 108	Administration		5 064 776	(5 064 776)
4 368	471	3 897	Assisted schemes	58 783	2 136	56 647
13 468 746	65 827 920	(52 359 174)	Letting schemes	4 032	434	3 597
3 406 143	31 619 496	(28 213 353)	Public Safety	18 964 697	69 919 407	(50 954 710)
272 409	22 935 637	(22 663 228)	Traffic	5 215 764	31 703 351	(26 487 588)
	2 832 266	(2 832 266)	Fire fighting	244 705	22 567 489	(22 322 784)
9 788 584	5 898 818	3 889 766	Disaster management		2 784 196	(2 784 196)
1 610	2 541 702	(2 540 092)	Licensing	13 492 424	5 078 918	8 413 506
777 934	71 779 228	(71 001 294)	Municipal control centre	11 805	7 785 453	(7 773 648)
1 588	1 977 506	(1 975 918)	Parks & Recreation	1 029 916	113 266 380	(112 236 464)
95 169	24 969 484	(24 874 315)	Nursery	15 017	1 599 249	(1 584 233)
420 868	40 470 535	(40 049 667)	Parks	133 707	29 254 628	(29 120 921)
260 309	4 361 703	(4 101 394)	Sport & recreation	514 686	78 723 460	(78 208 773)
-	780 308	(780 308)	Swimming pools	366 506	3 689 043	(3 322 537)
	780 308	(780 308)	Environmental Protection	-	510 173	(510 173)
40 972 883	48 077 278	(7 104 395)	Air pollution		510 173	(510 173)
40 972 883	40 038 949	933 934	Waste Management	44 289 584	54 081 389	(9 791 805)
	8 038 329	(8 038 329)	Refuse Removal	44 289 584	46 744 999	(2 455 415)
			Street & side walking cleaning		7 336 390	(7 336 390)

APPENDIX D
DETAILED SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

2010 Actual Income	2010 Actual Expenditure	2010 Actual Surplus/ (Deficit)		2011 Actual Income	2011 Actual Expenditure	2011 Actual Surplus/ (Deficit)
R	R	R		R	R	R
34 321 839	43 881 512	(9 559 673)	Waste water management	41 038 421	41 464 264	(425 844)
1 445 333	26 644 142	(25 198 809)	Sewer purification	3 508 172	26 790 152	(23 281 979)
32 876 506	9 021 684	23 854 822	Sewer reticulation	37 530 248	7 325 036	30 205 212
	6 053 106	(6 053 106)	Stormwater		4 806 384	(4 806 384)
	2 162 580	(2 162 580)	Public toilets		2 542 693	(2 542 693)
7 830 567	58 983 153	(51 152 586)	Road Transport	8 061 177	77 610 946	(69 549 768)
	56 315 299	(56 315 299)	Roads & streets		74 023 560	(74 023 560)
7 830 567	2 667 854	5 162 713	Vehicle licensing & testing	8 061 177	3 587 386	4 473 792
116 276 917	163 593 034	(47 316 117)	Water distribution	139 691 142	180 662 280	(40 971 138)
116 276 917	49 958 599	66 318 318	Water Distribution	139 691 142	47 952 389	91 738 753
	101 532 221	(101 532 221)	Water provision		119 527 165	(119 527 165)
	12 102 215	(12 102 215)	Water Purification		13 182 726	(13 182 726)
369 182 671	333 806 552	35 376 119	Electricity	448 401 873	397 928 582	50 473 291
	7 759 510	(7 759 510)	Workshop		7 883 995	(7 883 995)
369 182 671	316 043 543	53 139 128	Distribution	448 401 873	379 278 406	69 123 467
	10 003 499	(10 003 499)	Street Lighting		10 766 181	(10 766 181)
24 000	35 247	(11 247)	Other	24 000	223 219	(199 219)
24 000	35 247	(11 247)	Airport	24 000	223 219	(199 219)
1 575 109 006	1 133 445 737	441 663 269	Total	1 482 398 978	1 367 015 335	115 383 643

APPENDIX E (1)
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanations of significant variances greater than 10% versus budget
REVENUE					
Property rates	211 929 612	185 000 000	26 929 612	14.56	More collected than anticipated
Service charges	624 215 085	577 303 500	46 911 585	8.13	More collected than anticipated
Rental of facilities and equipment	4 336 869	4 321 900	14 969	0.35	More collected than anticipated
Interest earned – external investments	8 467 657	3 000 000	5 467 657	182.26	More collected than anticipated
Interest earned – outstanding debtors	20 300 156	19 400 100	900 056	4.64	More collected than anticipated
Fines	4 796 811	3 105 700	1 691 111	54.45	More collected than anticipated
Licensing & permits	8 065 163	8 092 300	(27 137)	(0.34)	On target
Revenue for agency services	13 460 412	13 000 000	460 412	3.54	More collected than anticipated
Government grants & subsidies – operating	360 475 959	388 740 650	(28 264 691)	(7.27)	All grants were not spent in full
Government grants & subsidies – capital	125 987 182	196 113 906	(70 126 724)	(35.76)	All grants were not spent in full
Public contributions, donated and contributed	3 528 444	3 528 444	0	0.00	On target
Other revenue	96 835 627	80 994 500	15 841 127	19.56	More collected than anticipated
Total Revenue	1 482 398 978	1 482 601 000	(202 022)	(0.01)	
EXPENDITURE					
Employee related costs	362 502 924	379 426 680	(16 923 756)	(4.46)	All vacancies were not filled
Remuneration of councillors	19 778 889	19 996 455	(217 566)	(1.09)	On target
Bad debts	39 120 623	11 000 000	28 120 623	255.64	Provision insufficient-Debtors increased by R94 million
Collection costs	1 463 112	2 200 000	(736 888)	(33.49)	Under collection of anticipated revenue
Depreciation	172 412 242	112 694 000	59 718 242	52.99	Under budgeted due to completion of 2010 infrastructure projects including stadium
Repairs & maintenance	95 300 758	109 648 905	(14 348 147)	(13.09)	Under spending of available funds
Finance costs	12 258 777	5 800 000	6 458 777	111.36	Under budgeted - External loan taken up
Bulk purchases	418 402 194	413 700 000	4 702 194	1.14	Under budgeted
Grants & subsidies paid	240 000	240 000	0	-	On target
General expenses	245 535 816	229 646 960	15 888 856	6.92	Due to several actuarial valuations, contributions had to be made to provisions which were not budgeted for.
Total Expenditure	1367 015 335	1 284 353 000	82 662 335	6.44	
NET SURPLUS/(DEFICIT) FOR THE YEAR	115 383 643	198 248 000	(82 864 357)		

APPENDIX E (2)
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual R	2011 Budget R	2011 Variance R	2010 Variance %	Explanations of significant variances greater than 5% versus budget
EXECUTIVE & COUNCIL					
Executive & Council	-	-	-	-	
BUDGET & TREASURY OFFICE	2 763 204	7 080 000	(4 316 796)	(60.97)	
Finance	2 763 204	7 080 000	(4 316 796)	(60.97)	Underspending
CORPRATE SERVICES	13 353 985	46 887 027	(33 533 042)	(71.52)	
Human Resources	565 860	1 000 000	(434 140)	(43.41)	Underspending/ contract less than budget amount
Information Technology	5 364 701	10 720 777	(5 356 076)	(49.96)	Underspending/ contract less than budget amount
Property Services	3 299 832	4 581 679	(1 281 847)	(27.98)	Underspending/ contract less than budget amount
Other & Admin	4 123 592	30 584 571	(26 460 979)	(86.52)	Underspending/ contract less than budget amount
PLANNING & DEVELOPMENT	12 238 417	39 216 759	(26 978 342)	(68.79)	
Planning & Development	12 238 417	39 216 759	(26 978 342)	(68.79)	Underspending/ contract less than budget amount
ROAD TRANSPORT	72 818 086	174 611 658	(101 793 572)	(58.30)	
Vehicle Licensing & Testing	-	-	-	-	Underspending/ contract less than budget amount
Roads & Stormwater	72 818 086	174 611 658	(101 793 572)	(58.30)	Underspending/ contract less than budget amount
COMMUNITY & SOCIAL	2 248 986	3 255 655	(1 006 669)	(30.92)	
Libraries & Archives	386 620	429 787	(43 167)	(10.04)	Underspending/ contract less than budget amount
Museums	349 868	349 869	(1)	(0.00)	Underspending/ contract less than budget amount
Community Halls & Facilities	1 142 950	1 223 690	(80 740)	(6.60)	Underspending/ contract less than budget amount
Cemeteries & Crematoriums	369 548	1 252 309	(882 761)	(70.49)	Underspending/ contract less than budget amount
ENVIRONMENTAL	35 392	28 066	7 326	26.10	
Biodiversity & landscape	35 392	28 066	7 326	26.10	Underspending/ contract less than budget amount
PUBLIC SAFETY	6 995 973	7 422 178	(426 205)	(5.74)	
Police	1 118 306	1 465 515	(347 209)	(23.69)	Underspending/ contract less than budget amount
Fire	5 077 370	5 155 975	(78 605)	(1.52)	Underspending/ contract less than budget amount
Street Lighting	800 297	800 688	(391)	(0.05)	Underspending/ contract less than budget amount
SPORT & RECREATION	13 717 217	20 983 062	(7 265 845)	(34.63)	
Sport & Recreation	13 717 217	20 983 062	(7 265 845)	(34.63)	Underspending/ contract less than budget amount
WASTE WATER MANAGEMENT	38 995 089	50 297 968	(11 302 879)	(22.47)	
Sewerage	38 995 089	50 297 968	(11 302 879)	(22.47)	Underspending/ contract less than budget amount
WASTE MANAGEMENT	628 865	753 503	(124 638)	(16.54)	
Solid Waste	628 865	753 503	(124 638)	(16.54)	Underspending/ contract less than budget amount
WATER	59 959 315	159 303 038	(99 343 723)	(62.36)	
Water Distribution	59 959 315	159 303 038	(99 343 723)	(62.36)	Underspending/ contract less than budget amount
ELECTRICITY	64 131 569	99 895 086	(35 763 517)	(35.80)	
Electricity Distribution	64 131 569	99 895 086	(35 763 517)	(35.80)	Underspending/ contract less than budget amount
TOTAL	287 886 097	609 734 000	(321 847 903)	(52.78)	

**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	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	128 274 712	102 619 769	76 965 000		307 859 481	76 964 870	76 964 870	76 964 870	76 964 871	307 859 481	No	307 859 481	Yes	Not Applicable
Public transport infrastructure and systems grant			40 250 000		40 250 000			35 000 000		35 000 000	No	40 250 000	Yes	Not Applicable
Integrated national electrification programme grant		6 000 000	2 000 000		8 000 000			7 796		7 796	No	8 000 000	Yes	Not Applicable
Electricity demand side management grant			8 300 000		12 000 000	1 444 948	407 203	9 527 754	362 887	11 742 792	No	12 000 000	Yes	Not Applicable
Municipal infrastructure grant	50 075 000	70 000 000	31 754 000		151 829 000		5 700 041	7 949 343	19 659 611	33 308 995	No	151 829 000	Yes	Not Applicable
Neighbourhood development partnership grant				8 158 550	8 158 550				5 553 258	5 553 258	No	12 000 000	Yes	Not Applicable
Local government financial management grant	1 000 000				1 000 000	184 062	132 306	132 306	551 326	1 000 000	No	1 000 000	Yes	Not Applicable
Water services operating grant	4 465 000		10 202 000		14 667 000	4 464 997		10 202 003		14 667 000	No	19 132 000	Yes	Not Applicable
Municipal systems improvement grant	750 000				750 000		750 000			750 000	No	750 000	Yes	Not Applicable
	184 564 712	182 319 769	169 471 000	8 158 550	544 514 031	83 058 877	83 954 420	139 784 072	103 091 953	409 889 322	-	552 820 481		