

INDEX**Page**

General Information	1
Approval of Financial Statements	2
Statement of Financial Position	3
Statement of Financial Performance	4
Statement of Changes in Net Assets	5
Cash Flow Statement	6
Accounting Policies	7 - 21
Notes to the Annual Financial Statements	22 - 79
Appendix A: Schedule of External Loans	80
Appendix B: Analysis of Property, Plant and Equipment	81 - 82
Appendix C: Segmental Analysis of Property, Plant and Equipment	83
Appendix D: Segmental Statement of Financial Performance	84
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	85
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	86
Appendix F: Disclosures of Grants and subsidies in Terms of the Municipal Finance Management Act	87 - 89
Appendix G: Disclosure of the Implementation Plan In terms of General Notice 522 Of 2007	90 - 97
Appendix H: Disclosure of Adjustments to achieve compliance with the exempted standards in terms of General Notice 522 Of 2007	98 - 103

SWARTLAND MUNICIPALITY

GENERAL INFORMATION

EXECUTIVE MAYOR	Councillor A W Bredell
DEPUTY MAYOR	Councillor C McKrieling
SPEAKER	Councillor A Johnson

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE:

Chairperson	Councillor A W Bredell
Member	Councillor C McKrieling
Member	Councillor T van Essen
Member	Councillor J L Griebenaauw
Member	Councillor M S I Goliath

CHAIRPERSONS OF THE PORTFOLIO COMMITTEES :

Administration and Finance Portfolio	Councillor N J A Rust
Community Safety Portfolio	Councillor W Wilskut
Community Services Portfolio	Councillor D C Slade
Technical Services Portfolio	Councillor J Loxton

MEMBERS OF THE FINANCIAL AUDIT COMMITTEE:

Chairperson	Mr C B de Jager
Member	Ms M F Allie
Member	Mr J M Becker
Member	Mr J J Scholtz

MEMBERS OF THE PERFORMANCE AUDIT COMMITTEE:

Chairperson	Mr C B de Jager
Member	Ms M F Allie
Member	Mr J M Becker
Member	Mr A J B Dippenaar

GRADING OF THE LOCAL AUTHORITY:

Grade 3

AUDITORS:

Office of the Auditor-General 1 st Floor East Block Business Connexion Building Ring Road Century City 7441	Private Bag X 1 Chempet 7442	Telephone Fax	021-528 4100 021-528 4201
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BANKERS:

ABSA Bank 50 Voortrekker Road MALMESBURY 7300	P.O. Box 75 MALMESBURY 7299	Telephone Fax	022-482 7900 022-487 1219
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REGISTERED OFFICE:

Church Street MALMESBURY 7300	Private Bag X 52 MALMESBURY 7299	Telephone Fax	022-487 9400 022-487 9440
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MUNICIPAL MANAGER:

J J Scholtz

DIRECTOR: FINANCIAL SERVICES:

K C Cooper

COUNCIL MEMBERS OF THE SWARTLAND MUNICIPALITY

<i>Councillor</i>	<i>Councillor</i>	<i>Councillor</i>	<i>Councillor</i>
Bredell A W	Goliath M S I	Rust N J A	Solomons C W
Cleophas J H	Griebenaauw J L	Schoor E	Stanley D L
Fortuin C	Johnson A	Sedeman A C	Stemele O M
Gali N L	Loxton J	Slade D C	Van Essen T
Geel B W	McKrieling C	Sneewe A M	Wilskut W

SWARTLAND MUNICIPALITY**ANNUAL FINANCIAL STATEMENTS****for the year ended****30 June 2008*****APPROVAL OF FINANCIAL STATEMENTS***

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 103, 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 31 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.

J J Scholtz
Municipal Manager

01 September 2008
Date

SWARTLAND MUNICIPALITY**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008**

	Note	2008 R	2007 Restated R
NET ASSETS AND LIABILITIES			
Net assets		327,522,009	261,230,727
Accumulated Surplus	2	327,522,009	261,230,727
Non-current liabilities		105,840,747	97,156,360
Deferred income	3	60,274,959	51,019,517
Long-term liabilities	4	23,932,012	26,046,661
Provision for post- retirement medical aid benefits	5	19,150,406	17,577,618
Other non-current provisions	6	2,483,370	2,512,564
Current liabilities		55,928,119	48,580,080
Consumer deposits	7	4,551,628	4,158,554
Provisions	8	1,132,474	1,143,736
Creditors	9	33,683,106	29,986,308
Unspent conditional grants and receipts	10	9,082,730	6,792,336
VAT	11	-	-
Operating lease liability	13	38,466	5,016
Bank overdraft	42	-	-
Current portion of deferred income	3	4,520,881	4,021,067
Current portion of long-term liabilities	4	2,918,834	2,473,063
Total Net Assets and Liabilities		489,290,875	406,967,167
ASSETS			
Non-current assets		321,040,944	275,016,975
Property, plant and equipment	14	293,655,367	246,916,020
Intangible Assets	15	2,267,212	1,013,637
Investment property	16	23,801,779	24,655,159
Long-term receivables	17	578,287	750,563
Finance lease receivables	18	738,299	1,681,596
Current assets		168,249,931	131,950,192
Inventory	19	7,852,737	6,294,342
Consumer debtors	20	20,104,008	17,006,613
Other debtors	21	4,613,472	5,392,618
VAT	22	1,051,020	1,817,473
Operating lease asset	13	10,900	-
Current portion of long-term receivables	17	91,216	157,101
Current portion of finance lease receivables	18	162,672	351,006
Bank balances and cash	42	134,363,906	100,931,039
Total Assets		489,290,875	406,967,167

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

	Note	2008 R	2007 Restated R
REVENUE			
Property rates	24	43,298,164	37,863,186
Service charges	25	109,903,388	100,111,213
Rental of facilities and equipment	27	1,654,512	1,451,558
Interest earned - cash deposits	26	12,885,726	8,258,456
Interest earned - outstanding debtors	26	1,224,997	1,267,791
Fines		6,711,635	2,173,837
Licences and permits		2,672,475	2,267,527
Income for agency services		2,347,840	2,117,394
Government grants and subsidies	28	5,307,798	17,701,939
Other Grants		15,070,706	6,230,479
Other revenue	29	11,768,363	6,429,234
Other income:			
Gains on disposal of property, plant and equipment		62,165	12,371,428
Profit on Sale of Land		44,350,738	555,380
<i>Gross proceeds on sale of land</i>		45,036,616	999,682
<i>Carrying amount of land sold</i>		685,878	444,302
Total Income		257,258,507	198,799,422
EXPENDITURE			
Employee related costs	30	64,247,657	56,279,529
Remuneration of Councillors	31	4,441,245	4,133,104
Impairment loss	20/21	1,540,636	2,979,509
Depreciation and Amortisation	32	15,554,160	11,847,315
Repairs and maintenance		10,192,824	8,890,022
Interest paid	33	3,566,139	3,721,564
Bulk purchases	34	45,780,843	41,330,334
Contracted services		2,055,778	1,837,472
Grants and subsidies paid	35	1,184,541	1,082,526
General expenses	37	42,403,402	39,321,358
Loss on disposal of property, plant and equipment		-	-
Total Expenditure		190,967,225	171,422,733
SURPLUS/(DEFICIT) FOR THE YEAR		66,291,282	27,376,689
DISCONTINUED OPERATIONS			
Surplus/(Deficit) for the year from discontinued operations	38	-	(381,491)
SURPLUS FOR THE YEAR		66,291,282	26,995,198
Refer to Appendix E (1) for explanation of variances			

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

	Accumulated Surplus/ (Deficit) R
Balance at 1 July 2006	75,224,805
Correction of error (note 40)	159,010,724
Restated balance	234,235,529
Restated Surplus/(deficit) for the year	26,995,198
Balance at 30 June 2007	261,230,727
Surplus for the year	66,291,282
Balance at 30 June 2008	327,522,009

Detail on the movement of funds and reserves is set out in note 2

SWARTLAND MUNICIPALITY**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 R	2007 Restated R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		200,325,097	185,158,806
Cash paid to suppliers and employees		(157,180,321)	(153,113,061)
Cash generated from operations	41	43,144,776	32,045,745
Interest received		12,885,726	8,258,456
Interest paid		(3,566,139)	(3,721,564)
NET CASH FROM OPERATING ACTIVITIES		52,464,363	36,582,637
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(62,609,353)	(51,555,293)
Purchase of intangible assets	15	(1,265,539)	(982,944)
Purchase of investment properties	16	-	(1,946,750)
Proceeds on disposal of property, plant and equipment		105,867	172,286
Proceeds on disposal of investment property		45,036,616	14,841,482
Decrease in non- current receivables		1,369,792	967,422
NET CASH FROM INVESTING ACTIVITIES		(17,362,617)	(38,503,797)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		854,697	374,915
New loans repaid		(2,523,576)	(2,181,591)
NET CASH FROM FINANCING ACTIVITIES		(1,668,879)	(1,806,676)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		33,432,867	(3,727,836)
		33,432,867	(3,727,836)
Cash and cash equivalents at the beginning of the year		100,931,039	104,658,875
Cash and cash equivalents at the end of the year	42	134,363,906	100,931,039

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. BASIS OF PREPARATION

The Annual Financial Statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention, except where indicated otherwise

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The Standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 6, 7 and 8	This standards have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements

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

The Minister of Finance has, in terms of General Notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in Appendix H to the Annual Financial Statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 522 of 2007:

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 522 of 2007, that have been early adopted
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	? Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31) ? Changes in accounting policies (GRAP 3.14, 19)
GAMAP 12	Inventories	? The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17 ? The entire standard as far as it relates to water stock that was not purchased by the municipality
IAS 11	Construction Contracts	? The entire standard
IAS 17 (AC 105)	Leases	? Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51, SAICA circular 12/06.8 – 11)
IAS 19 (AC 116)	Employee Benefits	? Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))
IAS 20	Accounting for Government Grants	? Entire Standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 - 46
IAS 38 (AC 129)	Intangible Assets	? The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed
IAS 39	Financial Instruments	? Initially measuring financial assets and liabilities at fair value. (IAS 39.43, AG79, AG64, AG 65 and SAICA circular 9/06)
IAS 40 (AC 135)	Investment Property	? The entire standard to the extent that the property is accounted for in term of GAMAP 17 (except for the disclosure of the fair value of investment property where investment property has been recognised in terms of this standard (IAS 40.79(e)(i) – (iii))
IFRS 03	Business Combinations	? The entire standard

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. BASIS OF PREPARATION (continued)

Standard no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 522 of 2007, that have been early adopted
IFRS 5 (AC 142)	Non-current Assets Held-for-Sale and Discontinued Operations	? Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)
(AC 144)	disclosures	? financial statements covering periods beginning on or after 1 January 1998

Accounting Policies have been consistently applied, except for the following:

The municipality has adopted IAS 20. As a result, capital grants and receipts relating to the creation of fixed assets are included in non-current liabilities as deferred income and are credited to the Statement of Financial Performance on a straight-line basis over the expected useful lives of the related asset. In terms of the MFMA Circular 18, the municipality previously recognised the full extent of conditional grants and receipts related to capital as revenue in the Statement of Financial Performance once the criteria, conditions or obligations embodied in the agreement have been met. An amount of R 64,795,840 (2007: R 55,040,584) has been reclassified from reserves to non-current liabilities. Further details are given in Note 3, 39 and 40.

The following are the critical judgements, apart from those involving estimations (see paragraph 1.2 below), that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1. 1 Revenue Recognition

Accounting Policy 13.1 on *Revenue from Exchange Transactions* and Accounting Policy 13.2 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GAMAP 9: *Revenue* and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1. 2 Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

1. 2. 1 Impairment of Financial Assets

Accounting Policy 9.4 on *Impairment of Financial Assets* describes the process followed to determine the value with which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that impairment of financial assets recorded during the year is appropriate. Details of the impairment loss calculation are provided in Notes 20 and 21 to the Annual Financial Statements.

1. 2. 2 Useful lives of Property, Plant and Equipment

As described in Accounting Policy 6.2, the municipality depreciates its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, which is determined when the assets are brought into use. As mentioned in the said policy, the estimated useful life of the assets and the depreciation methods of the assets were however not reviewed during the current or prior financial years.

SWARTLAND MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

BASIS OF PREPARATION (continued)

1. 2. 3 Defined Benefit Plan Liabilities

As described in Accounting Policy 16, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes 5 and 6 to the Annual Financial Statements.

2. PRESENTATION CURRENCY

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the Municipality's functional currency.

3. GOING CONCERN ASSUMPTION

The Annual Financial Statements have been prepared on a going concern basis.

4. OFFSETTING

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

5. ACCUMULATED SURPLUS

Included in the accumulated surplus of the municipality, are the following reserves that are maintained in terms of specific requirements:

5. 1 Housing Development Fund

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

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. 2 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

5. 3 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). Such transfers do not impact the reported surplus/deficit for the year.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****5. ACCUMULATED SURPLUS (continued)****5. 3 Capitalisation Reserve (continued)**

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

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

5. 4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

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

6. PROPERTY, PLANT AND EQUIPMENT**6. 1 Measurement**

Property, plant and equipment is initially recognised at cost or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. Subsequently, property plant and equipment is measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment.

Where items of property, plant and equipment 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, except where the impairment reverses a previous revaluation.

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

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed. Examples of subsequent expenditure which shall be capitalised are the enhancement of an existing asset so that its use is expanded, or the further development of an asset so that its original life is extended.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6. 2 Depreciation

Depreciation is calculated on cost, using the straight line method, over the estimated useful lives of the assets. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	Years		Years
<i>Infrastructure</i>		<i>Other</i>	
Roads and Paving	15 - 20	Buildings	30
Pedestrian Malls	30	Specialist Vehicles	5 - 20
Electricity	20 - 30	Other Vehicles	5 - 10
Water	15 - 20	Office Equipment	3 - 7
Sewerage	15 - 20	Furniture and Fittings	7 - 10
Housing	30	Watercraft	15
Landfill Sites	15	Bins and Containers	5
		Specialised Plant and Equipment	10 - 15
<i>Community</i>		Other items of Plant and Equipment	2 - 5
Improvements	30		
Recreational Facilities	20 - 30		
Security	5		

The estimated useful lives and the depreciation methods were not reviewed in the previous and current financial years as required by GAMAP 17 as these requirements have been exempted in terms of General Notice 522 of 2007.

6. 2. 1 Land

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

6. 2. 2 Incomplete Construction Work

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

6. 2. 3 Finance Leases

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

6. 2. 4 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding to their estimated useful lives.

6. 2. 5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

6. 3 Disposal of property, plant and equipment

The book values of assets are written off on disposal.

The difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

6. PROPERTY, PLANT AND EQUIPMENT (continued)

6. 4 Impairment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance. The municipality shall assess at each reporting date whether there is any indication that any items of PPE may be impaired by reviewing external and internal sources of information which indicates that impairments may have occurred. However, for the previous and current year under review, the municipality did not perform impairment testing on its assets as required by GAMAP 17 and IAS 36/AC128, as these requirements have been exempted in terms of General Notice 522 of 2007.

7. INTANGIBLE ASSETS

Identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over their useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period. Servitudes are therefore not amortised.

Intangible assets are annually tested for impairment.

Where items of intangible assets 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 except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

8. INVESTMENT PROPERTY

Investment Property is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property, which is estimated at 20 - 30 years.

Where the classification of an investment property is based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

- ? All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- ? land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation.)
- ? a building owned by the entity (or held by the entity under a finance lease) and leased out under one or more operating leases.
- ? a building that is vacant but is held to be leased out under one or more operating leases.

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

Where investment properties were recognised in terms of IAS 40, the fair values have not been disclosed in the current and prior years. This requirement of IAS 40 has been exempted in terms of General notice 522 of 2007.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

9. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

9. 1 Financial Assets

A financial asset is any asset that is a cash or contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ? Investments in Fixed Deposits (Banking Institutions, etc)
- ? Long-term Receivables
- ? Consumer Debtors
- ? Certain Other Debtors (see note 49.1)
- ? Short-term Investment Deposits
- ? Bank Balances and Cash

In accordance with IAS 39.09 the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Loans and receivables
Bank Balances and Cash	Loans and receivables
Finance Lease Receivables	Loans and receivables
Long-term Receivables	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Loans and receivables

Financial assets at fair value through profit or loss are financial assets that meet either of the following conditions:

- ? they are classified as held for trading; or
- ? upon initial recognition they are designated as at fair value through the Statement of Financial Performance.

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- ? Loans and Receivables;
- ? Held-to-Maturity Investments; or
- ? Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market..

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

Loans and Receivables are non-derivative Financial Assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition Financial Assets are measured at amortised cost, using the effective interest rate method less a provision for impairment.

9. 2 Financial Liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- ? Long-term Liabilities
- ? Certain Creditors (see note 49.1)
- ? Bank Overdraft
- ? Short-term loans
- ? Current Portion of Long-term Liabilities
- ? Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- (i) Fair value through profit or loss; or
- (ii) Not at fair value through profit or loss ('other financial liabilities')

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

9. FINANCIAL INSTRUMENTS (continued)

9. 2 *Financial Liabilities (continued)*

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives). Financial liabilities that are measured at fair value through profit or loss are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities should be classified as financial liabilities that are not measured at fair value through profit or loss are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the *Financial Liabilities* of the municipality are all classified as financial liabilities that are not measured at fair value through profit or loss.

9. 3 *Measurement*

Financial Instruments in the prior years were recognised and measured at cost. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 9 that financial instruments should initially be measured at fair value has been exempted in terms of General Notice 522 of 2007. The prior year accounting policy is in accordance with this exemption.

Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value and subsequently measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial Assets at *Fair Value* and *Available-for-Sale* are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial Liabilities:

Financial liabilities that are not held-for-trading are measured at amortised cost using the effective interest rate method.

9. 4 *Impairment of Financial Assets*

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

FINANCIAL INSTRUMENTS (continued)

9. 4 Impairment of Financial Assets (continued)

With the exception of Available-for-Sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of Available-for-Sale equity securities, impairment losses previously recognised through profit or loss are not reversed through the Statement of Financial performance. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

9. 5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

9. 6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

10. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

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

Risks and exposure are disclosed as follows:

Credit Risk

- ? Each class of financial instrument is disclosed separately.
- ? Maximum exposure to credit risk not covered by collateral is specified.
- ? Financial instruments covered by collateral are specified.

Liquidity Risk

- ? A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- ? Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- ? A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in note 49.8 to the annual financial statements.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

11. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge they are valued at the lower of cost and current replacement cost.

Water and purified effluent are valued at purified cost insofar as it is stored and controlled in reservoirs at year-end.

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

Cost of inventory comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction.

12. ASSETS HELD-FOR-SALE

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally 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.

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

13. REVENUE RECOGNITION

Revenue for the current and prior financial year is initially recognised at cost. The requirement of GAMAP 9.12 and SAICA circular 9/06 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General Notice 522 of 2007.

13. 1 Revenue from Exchange Transactions

13. 1. 1 Service Charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being 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. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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 number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. REVENUE RECOGNITION (continued)

13. 1 Revenue from Exchange Transactions (continued)

13. 1. 2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made five days before year end are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

13. 1. 3 Dividends

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend in accordance with the substance of the relevant agreement, where applicable.

13. 1. 4 Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

13. 1. 5 Tariff Charges

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

13. 1. 6 Income from Agency Services

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

13. 1. 7 Sale of Goods

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

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

13. 2 Revenue from Non-exchange Transactions

13. 2. 1 Rates and Taxes

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 proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

13. 2. 2 Fines

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.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. REVENUE RECOGNITION (continued)

13. 2. Revenue from Non-exchange Transactions (continued)

13. 2. 3 Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

13. 2. 4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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. Such revenue is based on legislated procedures.

14. GOVERNMENT GRANTS AND RECEIPTS

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

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

14. 1 Grants and Receipts of a Revenue Nature

Income is transferred to the Statement of Financial Performance as revenue to the extent that the criteria, conditions or obligations have been met. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

14. 2 Grants and Receipts of a Capital Nature

Income from Government Grants whose primary condition is that the municipality should purchase, construct or otherwise acquire non-current assets are recognised as deferred income under non-current liabilities in the Statement of Financial Position to the extent that the criteria, conditions or obligations have been met and is credited to the Statement of Financial Performance on a straight-line basis over the expected useful life of the related asset.

15. 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 or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

16. EMPLOYEE BENEFITS

16. 1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

16. EMPLOYEE BENEFITS (continued)

16. 2 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

16. 3 Defined Benefit Plans

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

16. 3. 1 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for using the "*corridor method*". Actuarial gains and losses are eligible for recognition in the Statement of Financial Performance to the extent that they exceed 10 per cent of the present value of the gross defined benefit obligations in the scheme at the end of the previous reporting period. Actuarial gains and losses exceeding 10 per cent are spread over the expected average remaining working lives of the employees participating in the scheme.

16. 3. 2 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

16. 4 Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds (refer to Note 50 of the Annual Financial Statements for details). The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

SWARTLAND MUNICIPALITY

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

17. LEASES

17. 1. *The 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 subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

17. 2 *The Municipality as Lessor*

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

18. BORROWING COSTS

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

19. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- ? receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- ? expect to be repaid in future; or
- ? expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

20. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the cash basis.

21. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments 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 and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

22. 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

SWARTLAND MUNICIPALITY**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****23. 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 or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

24. 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. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

25. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

26. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have not been applied retrospectively as is required by GRAP 3. Refer to note 40 for details of changes in accounting policies.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to Note 40 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

27. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

28. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

29. COMPARATIVE INFORMATION**29. 1 *Prior year comparatives***

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

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

2008	2007
R	R

1. GENERAL INFORMATION

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

2. ACCUMULATED SURPLUS

The following internal funds and reserves are ring-fenced within the Accumulated Surplus.

Housing development fund	2,168,776	3,699,736
Capital replacement reserve	67,006,316	21,235,832
Capitalisation reserve	97,466,283	101,892,393
Donations and public contribution reserve	1,719,000	1,814,500
Accumulated surplus/(deficit) due to the results of operations	159,161,634	132,588,266

Total Accumulated Surplus

	327,522,009	261,230,727
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Analysis of the composition of the Housing Development Fund:

Housing Development Fund	2,168,776	3,699,736
Unappropriated Surplus	703,385	1,066,449
Loans extinguished by Government on 1 April 1998	1,465,391	2,633,287

The Housing Development Fund is represented by the following assets and liabilities:

Housing selling scheme loans (see note 18).	900,971	2,032,602
Housing Rental Debtors (see note 20).	224,545	222,884
Bank and cash	1,043,260	1,444,250

Total Housing Development Fund Assets and Liabilities

	2,168,776	3,699,736
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The Housing Development Fund contain all proceeds from housing developments, which include rental income and sale of houses. Monies standing to the credit of the Housing Development Fund are used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

The Capital Replacement Reserve is a reserve to finance future capital expenditure.

The Capitalisation Reserve equals the carrying value of the items of property, plant and equipment from the former legislated funds. The Capitalisation reserves ensures consumer equity and is not backed by cash.

The Donation and Public Contribution Reserve equals the carrying value of the items of property, plant and equipment financed from public contributions and donations. The Capitalisation reserves ensures consumer equity and is not backed by cash.

The movement of internal funds and reserves within the Accumulated Surplus during the financial period are reconciled as follows:

	Housing Development Fund R	Capital Replacement Reserve R	Capitalisation Reserve R	Donations and Public Contribution Reserve R	Accumulated Surplus/ Deficit due to results of operations R	Total R
2007						
Restated balance at 1 July 2006	5,760,065	40,219,341	108,475,793	1,910,000	77,870,330	234,235,529
Restated surplus for the year	-	-	-	-	26,995,198	26,995,198
Transfer to CRR	-	25,000,000	-	-	(25,000,000)	-
Property, plant and equipment purchased	-	(43,983,509)	-	-	43,983,509	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****2. ACCUMULATED SURPLUS (continued)**

	Housing Development Fund R	Capital Replacement Reserve R	Capitalisation Reserve R	Donations and Public Contribution Reserve R	Accumulated Surplus/ Deficit due to results of operations R	Total R
Capital grants used to purchase PPE	-	-	-	-	-	-
Donated/contributed PPE	-	-	-	-	-	-
Transferred to Inventory	-	-	(3,565,257)	-	3,565,257	-
Transfer to/(from) Housing Development Fund	(2,060,329)	-	-	-	2,060,329	-
Asset disposals	-	-	(71,852)	-	71,852	-
Offsetting of depreciation	-	-	(2,946,291)	(95,500)	3,041,791	-
Balance at 30 June 2007	3,699,736	21,235,832	101,892,393	1,814,500	132,588,266	261,230,727
Surplus for the year	-	-	-	-	66,291,282	66,291,282
Transfer to CRR	-	77,158,251	-	-	(77,158,251)	-
Property, plant and equipment purchased	-	(31,387,767)	-	-	31,387,767	-
Capital grants used to purchase PPE	-	-	-	-	-	-
Donated/contributed PPE	-	-	-	-	-	-
Transferred to Inventory	-	-	(1,614,814)	-	1,614,814	-
Transfer to/(from) Housing Development Fund	(1,530,960)	-	-	-	1,530,960	-
Asset disposals	-	-	-	-	-	-
Offsetting of depreciation	-	-	(2,811,296)	(95,500)	2,906,796	-
Balance at 30 June 2008	2,168,776	67,006,316	97,466,283	1,719,000	159,161,634	327,522,009

	2008 R	2007 R
3. DEFERRED INCOME		
Assets financed from Government Grants	64,795,840	55,040,584
Sub-total	64,795,840	55,040,584
Less : Current portion transferred to current liabilities	(4,520,881)	(4,021,067)
Assets financed from Government Grants	(4,520,881)	(4,021,067)
Total Deferred Income	60,274,959	51,019,517
The movements in deferred revenue are reconciled as follows:		
Balance at beginning of year	55,040,584	51,804,649
Additions during year	13,776,323	6,708,952
Income recognised during year	(4,021,067)	(3,473,017)
Total Deferred Income	64,795,840	55,040,584
Less: Current portion transferred to current liabilities	(4,520,881)	(4,021,067)
Non- current Deferred Income	60,274,959	51,019,517

Deferred Income represents capital utilised to construct and acquire capital assets, which was funded from grants received from National and Provincial Government.

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

	2008 R	2007 R Restated
4. LONG- TERM LIABILITIES		
Annuity Loans	25,676,692	28,077,272
Capitalised Lease Liability (refer to note 12).	1,174,154	442,452
Sub-total	26,850,846	28,519,724
Less : Current portion transferred to current liabilities	2,918,834	2,473,063
Annuity Loans	2,699,857	2,400,580
Capitalised Lease Liability	218,977	72,483
Total: Long-term Liabilities (Neither past due nor impaired)	23,932,012	26,046,661

Summary of arrangements

Annuity Loans are repaid over periods varying from ten to twenty years (2007: ten to twenty years), and at interest rates varying from 11.60 % to 15.50 % (2007: 11.60 % to 15.50 %). Annuity Loans are not secured.

For detail of leasing arrangements regarding capitalised finance lease liabilities refer to note 12

Management of the municipality is of the opinion that the carrying value of Long- Term Liabilities recorded at amortised cost in the financial statements approximate their fair values.

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

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

5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY

Post-Employment Health Care Benefit Liability	20,066,460	18,451,268
Total: Post Retirement Medical Aid Benefit Liability	20,066,460	18,451,268
Less: Transfer to Current Provisions	(916,054)	(873,650)
Net Post-Employment Health Care Benefit Liability	19,150,406	17,577,618

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the Municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2008 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other post retirement benefits are provided by the municipality.

The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

- In-service members	198	200
- Continuation members	55	55
Total	253	255

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

- In-service members	8,333,933	8,027,848
- Continuation members	12,566,988	12,353,598
	20,900,921	20,381,446

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Global Health
- LA Health
- Munimed
- Samwumed

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2008**5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY (Continued)**

The future service cost for the ensuing year is established to be R 952,676, whereas the interest-cost for the next year is estimated to be R 2,189,434 (2007: R 848,905 and R 1,630,516 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2008	2007
	R	R
Discount rate	10.71 %	8.00 %
Health Care Cost Inflation Rate	9.58 %	6.50 %
Net Effective Discount Rate	1.03 %	1.41 %
Expected Rate of Salary Increase	9.03 %	6.00 %
Expected Return on Reimbursement Rights	7.83 %	4.75 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	64	64

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	20,900,921	20,381,446
Fair value of plan assets	-	-
	20,900,921	20,381,446
Unrecognised past service cost	-	-
Unrecognised actuarial losses	(834,461)	(1,930,178)
Present value of unfunded obligations	20,900,921	20,381,446
Benefit Liability	20,066,460	18,451,268

The amount recognised in the Statement of Financial Performance are as follows:

Current service cost	848,905	621,040
Interest cost	1,630,516	1,379,103
Total included in Employee Related Costs (Note 30)	2,479,421	2,000,143

The movement in the defined benefit obligation over the year is as follows:

Balance at beginning of year	20,381,445	17,238,790
Current service cost	848,905	621,040
Interest cost	1,630,516	1,379,103
Benefits paid	(864,228)	(787,665)
Actuarial (gain)/loss on the obligation	(1,095,717)	1,930,177
Balance at end of year	20,900,921	20,381,445

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

Increase

Effect on the aggregate of the current service cost and the interest cost	479,105	213,221
Effect on the defined benefit obligation	3,266,409	3,324,000

Decrease

Effect on the aggregate of the current service cost and the interest cost	(377,823)	(163,547)
Effect on the defined benefit obligation	(2,656,775)	(2,678,000)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2008**5. POST RETIREMENT MEDICAL AID BENEFIT LIABILITY (Continued)**

The history of experienced adjustments is as follows:

	2008	2007	2006	2005	2004
Defined benefit obligation	20,900,921	20,381,446	17,238,790	-	-
Experience adjustments on plan liabilities	2,232,699	1,450,367	-	-	-

The municipality expects to make a contribution of R 916,054 (2007: R 864,228) to the defined benefit plans during the next financial year.

Refer to Note 50 "Multi- Employer Retirement Benefit Information" to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

	2008 R	2007 R
6. OTHER NON- CURRENT PROVISIONS		
<i>Long Service Awards</i>		
Provision for Long Service Awards	2,699,790	2,782,650
Total Provision for Long Service Awards	2,699,790	2,782,650
Less: Transfer to Current Provisions	(216,420)	(270,086)
Net Long Service Awards liability	2,483,370	2,512,564

A long-service award is granted to municipal employees after the completion of fixed periods of continuous service with the Municipality (which includes their uninterrupted service with the former local authorities amalgamated in December 2000 to become Swartland Municipality). The said award comprises a certain number of vacation leave days which, in accordance with the option exercised by the beneficiary employee, can be converted into a cash amount based on his/her basic salary applicable at the time the award becomes due or, alternatively, credited to his/her vacation leave accrual. The provision represents an estimation of the awards to which employees in the service of the Municipality at 30 June 2008 may become entitled to in future, based on an actuarial valuation performed at that date.

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2008 by ARCH Actuarial Consulting, a member of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. No other long service benefits are provided by the municipality.

The future service cost for the ensuing year is established to be R 369,807, whereas the interest-cost for the next year is estimated to be R 284,296 (2007: R 402,542 and R 222,612 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	10.97 %	8.00 %
Expected Rate of Salary Increase	9.03 %	6.00 %
Net Effective Discount Rate	1.78 %	1.41 %
Expected Return on Reimbursement Rights	7.83 %	4.75 %
Expected Retirement Age - Females	63	63
Expected Retirement Age - Males	64	64

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

	2008	2007			
	R	R			
6. OTHER NON-CURRENT PROVISIONS (Continued)					
<i>Long Service Awards (continued)</i>					
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	2,699,790	2,782,650			
Fair value of plan assets	-	-			
	2,699,790	2,782,650			
Unrecognised past service cost	-	-			
Unrecognised actuarial losses	-	-			
Present value of unfunded obligations	2,699,790	2,782,650			
Net liability	2,699,790	2,782,650			
The amount recognised in the Statement of Financial Performance are as follows:					
Current service cost	402,542	341,842			
Interest cost	222,612	190,848			
Actuarial gain	(380,516)	313,198			
Vested past service cost	-	-			
Total included in Employee Related Costs (Note 30)	244,638	845,888			
The movement in the defined benefit obligation over the year is as follows:					
Balance at beginning of year	2,782,650	2,385,606			
Current service cost	402,542	341,842			
Interest cost	222,612	190,848			
Benefits paid	(327,498)	(448,844)			
Actuarial gain recognised	(380,516)	313,198			
Balance at end of year	2,699,790	2,782,650			
The history of experienced adjustments is as follows:					
	2008	2007	2006	2005	2004
Defined benefit obligation	2,699,790	2,782,650	2,385,606	-	-
Experience adjustments on plan liabilities	(396,187)	(375,596)	-	-	-
				2008	2007
				R	R
7. CONSUMER DEPOSITS					
Electricity and Water	4,551,628	4,158,554			
Interest paid	-	-			
Total Consumer Deposits	4,551,628	4,158,554			

Guarantees amounting to R 689,543 (2007: R 636,543) are held in lieu of Electricity and Water Deposits

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

No interest is paid on consumer deposits held.

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

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

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

	2008 R	2007 R
8. PROVISIONS		
Current portion of Post-Employment Health Care Benefits (see note 5)	916,054	873,650
Current portion of Long-Service Awards (see note 6)	216,420	270,086
Total Provisions	<u>1,132,474</u>	<u>1,143,736</u>

The movement in current provisions are reconciled as follows:

	Post- Employment Health Care Benefits	Current portion of Long- service
30 June 2008		
Balance at beginning of year	873,650	270,086
Transfer from non-current	916,054	216,420
Contributions to provision	-	57,412
Expenditure incurred	(864,228)	(327,498)
Reversal of provision	(9,422)	-
Balance at end of year	<u>916,054</u>	<u>216,420</u>

	Post- Employment Health Care Benefits	Unbilled Electricity Eskom	Current portion of Long- service
30 June 2007			
Balance at beginning of year	787,665	845,891	149,773
Transfer from non-current	873,650		270,086
Contributions to provision	-		299,071
Expenditure incurred	(787,665)	(845,891)	(448,844)
Balance at end of year	<u>873,650</u>	<u>-</u>	<u>270,086</u>

	2008 R	2007 Restated R
9. CREDITORS		
Trade creditors	23,972,310	21,921,916
Payments received in advance	731,881	354,768
Retentions	2,163,591	1,391,660
Staff leave	3,483,692	3,177,406
Other creditors	3,331,632	3,140,558
Total Creditors	<u>33,683,106</u>	<u>29,986,308</u>

Comparative year has been restated due to the correction of an error (refer to note 40)

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

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

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

Retentions refer to construction contracts.

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

	2008	2007
	R	Restated R
10. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
<i>10.1 Conditional Grants by other spheres of Government</i>	8,756,025	6,452,336
Abbotsdale Housing Project	114,108	114,108
Cleanest Town	110,517	83,471
Community Development: Workers	36,508	24,280
Darling Pedestrian Route	601,982	61,982
Drought Relief	-	2,500,000
Electricity Riebeek Kasteel/Kalbaskraal	435,975	435,975
Financial Management Grant	24,271	511,926
Housing Consumer Education Grant	3,132	-
Housing: Darling	2,820,545	-
Housing Project : Chatsworth - Transfer Fees	35,696	-
Housing: Riebeek Kasteel	1,133,976	265,337
Ilinge Lethu Advisory Centre	60,025	98,558
Ilinge Lethu Multipurpose Centre	33,587	161,115
Ilinge Lethu Housing Project	18,254	18,254
Irrigation: Sewerage Water Cricket Field	-	120,000
Kalbaskraal Housing Project	75,458	75,458
Kalbaskraal Housing Project (2)	1,019,078	45,820
Malmesbury Saamstaan Housing Project	49,141	50,427
Masibambani: Services	-	85,019
Masterplanning: Sewerage and Stormwater	-	-
Municipal Infrastructure Grant	-	183,733
Municipal Systems Improvement Grant	414,002	-
Goedgedacht Sportgrounds	9,350	500,000
Project Preparation Grant	62,000	-
Riebeek Kasteel Extension 3 Housing Project	95,194	95,194
Riebeek Kasteel: Non Motorised Transport	57,214	57,214
Riebeek Wes Koinonia Housing Project	173,641	173,641
Riverlands/Chatsworth Sport	243,715	250,000
Soup Kitchen	15,000	7,878
Spatial Development Framework	22,926	297,057
Upgrading: Polla Park	1,044,918	235,889
Vuna Award	45,812	-
<i>10.2 Other Conditional Receipts</i>	326,705	340,000
Ilinge Lethu Centre	8,000	-
Junior Council	6,950	-
Sihlange Projects: Mayor Fund Ward 6	3,000	-
Spatial Development Plan	308,755	340,000
Total Conditional Grants and Receipts	9,082,730	6,792,336

Comparative year has been restated due to the correction of an error (refer to note 40)

See Note 28 for reconciliation of grants by other spheres of government.

11. VAT**VAT payable**

-	-
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VAT is payable on the receipts basis. Only once payment has been received from debtors is VAT paid over to SARS.

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

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****12. FINANCE LEASE PAYABLES****The Municipality as lessee*****Leasing arrangements:***

Capitalised Lease Liabilities relate to office equipment with lease terms of five years (2007: five years). The effective interest rate on finance leases is between 14.73 % and 21.53 % (2007:13.21 % and 48.13 %). Capitalised lease liabilities are secured over the items of office equipment leased.

The obligations under finance leases are scheduled below:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2008	2007	2008	2007
	R	R	R	R
Amounts payable under finance leases				
Within one year	378,207	138,525	218,977	72,484
1 to 5 years	1,208,082	487,744	955,177	369,969
More than 5 years	-	-	-	-
	1,586,289	626,269	1,174,154	442,453
Less: Future finance charges	(412,135)	(183,816)	-	-
Present Value of Lease obligations (see note 4)	1,174,154	442,453	1,174,154	442,453
Less amounts due for settlement within 12 months (current portion)			(218,977)	(72,484)
Amounts due for settlement after 12 months (non-current)			955,177	369,969

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

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

- Office Equipment

Included in these classes are the following significant leases:

(i) Siemens High Path Pabx

- Instalments are payable monthly in advance
- Average period outstanding 42 months
- Average effective interest rate 14.74 %
- Average monthly instalment 8,936

(ii) Bizhub 750/FS-505 Copier

- Instalments are payable monthly in advance
- Average period outstanding 55 months
- Average effective interest rate 13.97 %
- Average monthly instalment 5,699

2008 **2007**
R **R**

13. OPERATING LEASES**The Municipality as lessee*****Leasing arrangements:***

Operating leases relate to Buildings, Computer and other equipment with lease terms of between one to five years. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases, which fall due as follows:

Buildings	109,456	272,123
Up to 1 year	108,449	162,666
1 to 5 years	1,007	109,457
More than 5 years	-	-

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

	2008 R	2007 R
13.. OPERATING LEASES (continued)		
<u>The Municipality as lessee (continued)</u>		
Computer and other equipment	617,648	1,088,896
Up to 1 year	249,249	667,856
1 to 5 years	368,399	421,040
More than 5 years	-	-
Total Operating Lease Commitments	727,104	1,361,019
The following payments have been recognised as an expense in the Statement of Financial Performance:		
Minimum lease payments	900,503	862,043
Total Operating Lease Expenses - as Lessee	900,503	862,043
Operating leases are recognized on the straight-line basis as per the requirement of IAS 17. In respect of non-cancellable Operating Leases the following asset/(liability) has been recognised:		
Accrual as at 30 June		
Operating lease payments effected	911,403	857,027
Operating expenses recorded	(900,503)	(862,043)
Total Operating Lease Assets/(Liabilities)	10,900	(5,016)
The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:		
- Office Equipment		
- Vehicles		
No restrictions have been imposed on the Municipality in terms of the operating lease agreements.		
<u>The Municipality as Lessor:</u>		
<i>Leasing arrangements:</i>		
Operating Leases relate to Investment Property owned by the municipality with lease terms of between 5 to 10 years. The lessee does not have an option to purchase the property at the expiry of the lease period.		
At the reporting date the following lease receipts were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:		
Up to 1 year	124,198	179,614
1 to 5 years	369,823	435,313
More than 5 years	98,137	156,844
	592,158	771,771
This impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been a decrease in current year income of R 38,466.		
Operating leases are recognized on the straight-line basis as per the requirement of IAS 17. In respect of non-cancellable Operating Leases the following asset/(liability) has been recognised:		
Accrual as at 30 June		
Operating lease payments received	(179,615)	-
Operating income recorded	141,149	-
Total Operating Lease Assets/(Liabilities)	(38,466)	-
No restrictions have been imposed on the Municipality in terms of the lease agreements.		

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****14. PROPERTY, PLANT AND EQUIPMENT**

30 June 2008

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Total carried forward
	R	R	R	R	R
Carrying values at 1 July 2007	68,098,908	147,959,709	14,237,440	143,102	230,439,159
Cost	103,524,742	906,818,032	28,992,334	586,266	1,039,921,374
Correction of error	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	(35,425,834)	(758,858,323)	(14,754,894)	(443,164)	(809,482,215)
- Cost	(35,425,834)	(758,858,323)	(14,754,894)	(443,164)	(809,482,215)
- Correction of error	-	-	-	-	-
- Revaluation	-	-	-	-	-
Acquisitions	2,382,941	28,763,689	173,695	-	31,320,325
Capital under Construction	-	21,138,572	240,107	-	21,378,679
Increases/decreases in revaluation	-	-	-	-	-
Depreciation	(933,423)	(10,690,953)	(935,034)	(10,109)	(12,569,519)
- based on cost	(933,423)	(10,690,953)	(935,034)	(10,109)	(12,569,519)
- based on revaluation	-	-	-	-	-
Carrying value of disposals	(298,667)	(36,283)	-	-	(334,950)
Cost/revaluation	(460,000)	(108,851)	-	-	(568,851)
Accumulated depreciation	161,333	72,568	-	-	233,901
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2008	69,249,759	187,134,734	13,716,208	132,993	270,233,694
Cost	105,447,683	956,611,443	29,406,136	586,266	1,092,051,528
Correction of error (note 40)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	(36,197,924)	(769,476,709)	(15,689,928)	(453,273)	(821,817,834)
- Cost	(36,197,924)	(769,476,709)	(15,689,928)	(453,273)	(821,817,834)
- Correction of error (note 40)	-	-	-	-	-
- Revaluation	-	-	-	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****14. PROPERTY, PLANT AND EQUIPMENT (continued)**

30 June 2008

Reconciliation of Carrying Value	Total brought forward	Other	Housing Development Fund	Leased Assets	Total
	R	R	R	R	R
Carrying values at 1 July 2007	230,439,159	15,281,914	825,966	368,981	246,916,020
Cost	1,039,921,374	30,361,388	1,613,177	374,916	1,072,270,855
Correction of error	-	-	-	40,546	40,546
Revaluation	-	-	-	-	-
Accumulated depreciation	(809,482,215)	(15,079,474)	(787,211)	(46,481)	(825,395,381)
- Cost	(809,482,215)	(15,079,474)	(787,211)	(42,113)	(825,391,013)
- Correction of error	-	-	-	(4,368)	(4,368)
- Revaluation	-	-	-	-	-
Acquisitions	31,320,325	9,160,615	-	749,734	41,230,674
Capital under Construction	21,378,679	-	-	-	21,378,679
Increases/decreases in revaluation	-	-	-	-	-
Depreciation	(12,569,519)	(2,696,076)	(67,490)	(158,266)	(15,491,351)
- based on cost	(12,569,519)	(2,696,076)	(67,490)	(158,266)	(15,491,351)
- based on revaluation	-	-	-	-	-
Carrying value of disposals	(334,950)	(43,705)	-	-	(378,655)
Cost/revaluation	(568,851)	(145,683)	-	-	(714,534)
Accumulated depreciation	233,901	101,978	-	-	335,879
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2008	270,233,694	21,702,748	758,476	960,449	293,655,367
Cost	1,092,051,528	39,376,320	1,613,177	1,165,196	1,134,206,221
Correction of error (note 40)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	(821,817,834)	(17,673,572)	(854,701)	(204,747)	(840,550,854)
- Cost	(821,817,834)	(17,673,572)	(854,701)	(204,747)	(840,550,854)
- Correction of error (note 40)	-	-	-	-	-
- Revaluation	-	-	-	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****14. PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2007

Reconciliation of Carrying Value	Land and Buildings	Infra-structure	Community	Heritage	Total carried forward
	R	R	R	R	R
Carrying values at 1 July 2006	66,629,777	113,333,045	11,771,541	153,211	191,887,574
Cost	101,168,643	864,390,585	25,794,741	586,266	991,940,235
Correction of error	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	(34,538,866)	(751,057,540)	(14,023,200)	(433,055)	(800,052,661)
- Cost	(39,876,461)	(751,057,540)	(14,623,200)	(433,055)	(805,990,256)
- Correction of error	5,337,595	-	600,000	-	5,937,595
- Revaluation	-	-	-	-	-
Acquisitions	2,458,109	40,047,780	3,142,593	-	45,648,482
Capital under Construction	-	2,379,668	55,000	-	2,434,668
Increases/decreases in revaluation	-	-	-	-	-
Depreciation	(886,968)	(7,800,784)	(731,694)	(10,109)	(9,429,555)
- based on cost	(886,968)	(7,800,784)	(731,694)	(10,109)	(9,429,555)
- based on revaluation	-	-	-	-	-
Carrying value of disposals	(102,010)	-	-	-	(102,010)
Cost/revaluation	(102,010)	-	-	-	(102,010)
Accumulated depreciation	-	-	-	-	-
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2007	68,098,908	147,959,709	14,237,440	143,102	230,439,159
Cost	103,524,742	906,818,032	28,992,334	586,266	1,039,921,374
Correction of error (note 40)	-	-	-	-	-
Revaluation	-	-	-	-	-
Accumulated depreciation	(35,425,834)	(758,858,323)	(14,754,894)	(443,164)	(809,482,215)
- Cost	(35,425,834)	(758,858,323)	(14,754,894)	(443,164)	(809,482,215)
- Correction of error (note 40)	-	-	-	-	-
- Revaluation	-	-	-	-	-

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****14. PROPERTY, PLANT AND EQUIPMENT (Continued)**

30 June 2007

Reconciliation of Carrying Value	Total brought forward	Other	Housing Development Fund	Leased Assets	Total
	R	R	R	R	R
Carrying values at 1 July 2006	191,887,574	14,532,609	893,455	-	207,313,638
Cost	991,940,235	27,580,108	1,613,177	-	1,021,133,520
Correction of error	-	(51,154)	-	-	(51,154)
Revaluation	-	-	-	-	-
Accumulated depreciation	(800,052,661)	(12,996,345)	(719,722)	-	(813,768,728)
- Cost	(805,990,256)	(14,747,416)	(719,722)	-	(821,457,394)
- Correction of error	5,937,595	1,751,071	-	-	7,688,666
- Revaluation	-	-	-	-	-
Acquisitions	45,648,482	3,097,227	-	374,916	49,120,625
Capital under Construction	2,434,668	-	-	-	2,434,668
Increases/decreases in revaluation	-	-	-	-	-
Depreciation	(9,429,555)	(2,276,069)	(67,489)	(42,113)	(11,815,226)
- based on cost	(9,429,555)	(2,276,069)	(67,489)	(42,113)	(11,815,226)
- based on revaluation	-	-	-	-	-
Carrying value of disposals	(102,010)	(71,853)	-	-	(173,863)
Cost/revaluation	(102,010)	(264,795)	-	-	(366,805)
Accumulated depreciation	-	192,942	-	-	192,942
Impairment losses	-	-	-	-	-
Other movements	-	-	-	-	-
Carrying values at 30 June 2007	230,439,159	15,281,914	825,966	368,981	246,916,020
Cost	1,039,921,374	30,361,388	1,613,177	374,916	1,072,270,855
Correction of error (note 40)	-	-	-	40,546	40,546
Revaluation	-	-	-	-	-
Accumulated depreciation	(809,482,215)	(15,079,474)	(787,211)	(46,481)	(825,395,381)
- Cost	(809,482,215)	(15,079,474)	(787,211)	(42,113)	(825,391,013)
- Correction of error (note 40)	-	-	-	(4,368)	(4,368)
- Revaluation	-	-	-	-	-

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

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****15. INTANGIBLE ASSETS**

30 June 2008

Reconciliation of Carrying Value	Website Development	Valuation Roll	Total
	R	R	R
Carrying values at 1 July 2007		30,693	1,013,637
Cost	982,944	51,154	1,034,098
Correction of error	-	-	-
Accumulated Amortisation	-	(20,461)	(20,461)
- Cost	-	(20,461)	(20,461)
- Correction of error	-	-	-
Acquisitions	1,246,989	18,550	1,265,539
Intangible Assets under Development	-	-	-
Amortisation	-	-	-
- based on cost	-	(11,964)	(11,964)
Carrying values at 30 June 2008	2,229,933	37,279	2,267,212
Cost	2,229,933	69,704	2,299,637
Correction of error (note 40)	-	-	-
Accumulated Amortisation	-	(32,425)	(32,425)
- Cost	-	(32,425)	(32,425)
- Correction of error (note 40)	-	-	-

30 June 2007

Reconciliation of Carrying Value	Website Development	Valuation Roll	Total
	R	R	R
Carrying values at 1 July 2006	-	40,924	40,924
Cost	-	51,154	51,154
Correction of error	-	-	-
Accumulated Amortisation	-	(10,230)	(10,230)
- Cost	-	(10,230)	(10,230)
- Correction of error	-	-	-
Acquisitions	-	-	-
Intangible Assets under Development	982,944	-	982,944
Amortisation	-	-	-
- based on cost	-	(10,231)	(10,231)
Carrying values at 30 June 2007	982,944	30,693	1,013,637
Cost	982,944	51,154	1,034,098
Correction of error (note 40)	-	-	-
Revaluation	-	-	-
Accumulated Amortisation	-	(20,461)	(20,461)
- Cost	-	(20,461)	(20,461)
- Correction of error (note 40)	-	-	-
- Revaluation	-	-	-

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

	2008 R	2007 R
17. LONG-TERM RECEIVABLES		
<i>Nether past due nor impaired</i>		
Loans to Sport Clubs	-	25,643
Car loans	105,083	281,336
Loans to Public Organisations	564,420	600,685
	<u>669,503</u>	<u>907,664</u>
Less : Current portion transferred to current receivables	91,216	157,101
Loans to Sport Clubs	-	13,679
Car loans	57,223	107,157
Loans to Public Organisations	33,993	36,265
Total	<u><u>578,287</u></u>	<u><u>750,563</u></u>

Certain receivables were reclassified after the agreements were determined to be finance leases, and comparative amounts have been restated as finance lease receivables. Refer to note 40 (d) where the effect of the reclassification is set out. This has been done to enhance the comparability of the Financial Statements.

LOANS TO SPORT CLUBS

Loans were granted to enable sport clubs to finance specific improvements, relevant to their activities, on land rent from the Municipality. In accordance with conditions attached to such loans the improvements thus erected revert to the Municipality at the expiration of the term of the lease. Loans are repaid over periods varying from ten to twenty years and at interest rates varying from eight to ten percent per annum.

LOANS TO PUBLIC ORGANISATIONS

Under the previous dispensation loans raised at an interest rate of one percent per annum repayable over a period of forty years, were granted by the State to the Municipality who in turn, made the said loans available to Public Organisations for the purpose of providing housing to indigent old age persons. The Municipality merely acted as an intermediary between the State and such Organisations. The outstanding balances of these loans were subsequently written off by the State whilst the annual instalment, still recoverable from the various Organisations, are credited to the Housing Fund. Loans are repaid over periods of thirty years and at interest rates varying from one to eleven point two five percent per annum. (See note 2)

Management of the municipality is of the opinion that the carrying value of Long- Term Receivables recorded at amortised cost in the financial statements approximate their fair values.

CAR LOANS

Prior to the coming into effect of the provisions of section 164(1)(c) of the MFMA (Act 56 of 2003) on 1 July 2004, loans were granted to qualifying senior staff members to enable them to acquire a motor vehicle. The vehicle must be made available daily by the staff member for his use in the carrying out of his official duties. The repayment period of these loans and the applicable interest rate is a maximum of six years and eight percent per annum, respectively.

The fair value of Long- Term Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors. Long- term receivables are neither past due nor impaired as management have no concerns over the credit quality of these assets.

18. FINANCE LEASE RECEIVABLES

Housing selling scheme loans	900,971	2,032,602
	<u>900,971</u>	<u>2,032,602</u>
Less : Current portion transferred to current receivables	162,672	351,006
Housing selling scheme loans	162,672	351,006
Total	<u><u>738,299</u></u>	<u><u>1,681,596</u></u>

Certain receivables were reclassified after the agreements were determined to be finance leases, and comparative amounts have been restated as finance lease receivables. Refer to note 40 (d) where the effect of the reclassification is set out. This has been done to enhance the comparability of the Financial Statements.

HOUSING SELLING SCHEME LOANS

Loans were granted to the tenants of low cost housing erected by the Municipality with funds provided by the State, in order to enable them to purchase the houses they previously rent from the Municipality. Loans are repaid over a period of twenty years and at an interest rate of thirteen point five percent per annum. The instalments of interest and redemption recoverable from the purchasers are credited to the Housing Fund. (See note 2)

18.1 Leasing Arrangements

The municipality entered into finance Leasing Arrangements for car and house selling scheme loans. All leases are denominated in Currency Units. The average term of Finance Leases entered into is between six and twenty years.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****18. FINANCE LEASE RECEIVABLES (continued)***18. 2 Amounts receivable under finance leases*

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2008	2007	2008	2007
	R	R	R	R
Within one year	279,211	1,326,788	162,672	1,131,631
In the second to fifth year inclusive	641,171	850,241	366,251	510,689
Over five years	685,659	755,801	372,048	390,282
	1,606,041	2,932,830	900,971	2,032,602
Less Unearned Finance Income	(705,070)	(900,228)	-	-
Present Value if minimum leases payments receivable	900,971	2,032,602	900,971	2,032,602
Provision for uncollectable lease receivables	-	-	-	-
Total Finance Lease Receivables	900,971	2,032,602	900,971	2,032,602
			2008	2007
			R	R
Included in the Annual Financial Statements as:				
Current Finance lease receivables			162,672	351,006
Non-Current Finance lease receivables			738,299	1,681,596
			900,971	2,032,602

The interest rate inherent to the leases are fixed at the contract date over the entire lease term. The average effective interest rate contracted is between 8.00 % and 13.50 % (2007: 8.00 % and 13.50 %) per annum.

Management of the municipality is of the opinion that the carrying value of financial lease receivables recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Finance Lease Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipalities debtors.

19. INVENTORY	2008	2007
	R	Restated R
Consumable stores - at cost	3,054,499	1,515,035
Stationery - at cost	237,225	558,053
Water - at cost	83,346	86,339
Unsold properties held for resale - at cost	4,477,667	4,134,915
Total Inventory	7,852,737	6,294,342

Comparative year has been restated due to the correction of an error. (refer to note 40)

20. CONSUMER DEBTORS

As at 30 June 2008	Gross	Collective	Net Balances
	Balances	Provision for Impairment	
Service debtors	23,057,966	3,023,214	20,034,752
Rates	5,852,181	1,154,041	4,698,140
Electricity	9,269,605	669,802	8,599,803
Water	3,366,953	365,553	3,001,400
Sewerage	2,606,216	447,716	2,158,500
Refuse Removal	1,963,011	386,102	1,576,909
Housing rentals	224,545	155,289	69,256
Total	23,282,511	3,178,503	20,104,008

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****20. CONSUMER DEBTORS (continued)**

As at 30 June 2007

Restated

Service debtors

Rates

Electricity

Water

Sewerage

Refuse Removal

Housing rentals

Total

	Gross Balances	Collective Provision for Impairment	Net Balances
	19,613,955	2,705,736	16,908,219
Rates	5,041,308	903,985	4,137,323
Electricity	7,821,741	756,755	7,064,986
Water	2,880,039	428,991	2,451,048
Sewerage	2,236,625	341,550	1,895,075
Refuse Removal	1,634,242	274,455	1,359,787
Housing rentals	222,884	124,490	98,394
Total	19,836,839	2,830,226	17,006,613

The average credit period for consumer debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the consumer debtors.

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

The fair value of Consumer Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and consumer debtors as well as the current payment ratio's of the municipalities consumer debtors.

Comparative year has been restated due to the correction of an error or accounting policy (refer to note 40)

	2008 R	2007 R
20.1 Ageing of Consumer Debtors		
<u>Rates: Ageing</u>		
Current (0 - 30 days)	2,672,036	2,433,703
<u>Past Due</u>		
31 - 60 Days	606,359	604,127
61 - 90 Days	189,777	181,115
91 - 120 Days	139,491	133,198
121 - 150 Days	104,164	90,418
151 - 180 Days	62,877	115,149
181 - 365 Days	1,366,218	811,113
366 Days - 2 Years	283,448	576,073
2 - 3 Years	362,583	60,131
+ 3 Years	65,228	56,385
Total	5,852,181	5,061,412
<u>(Electricity, Water, Sewerage and Refuse Removal): Ageing</u>		
Current (0 - 30 days)	11,487,908	9,986,464
<u>Past Due</u>		
31 - 60 Days	1,659,275	1,370,012
61 - 90 Days	388,678	346,708
91 - 120 Days	238,677	236,798
121 - 150 Days	199,990	209,216
151 - 180 Days	164,997	247,039
181 - 365 Days	1,824,975	1,167,794
366 Days - 2 Years	449,719	469,022
2 - 3 Years	196,497	270,671
+ 3 Years	595,069	312,497
Total	17,205,785	14,616,221
<u>Housing rentals: Ageing</u>		
Current (0 - 30 days)	43,924	55,891
<u>Past Due</u>		
31 - 60 Days	20,761	21,870
61 - 90 Days	4,571	4,673
91 - 120 Days	3,540	4,285
121 - 150 Days	3,188	4,081
151 - 180 Days	3,370	3,281
181 - 365 Days	55,919	26,720
366 Days - 2 Years	11,235	22,221
2 - 3 Years	14,920	23,600
+ 3 Years	63,117	57,732
Total	224,545	224,354

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2008**20. CONSUMER DEBTORS (continued)****20.2 Summary of Debtors by Customer Classification**

	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
30th June 2008			
Current (0 - 30 days)	10,336,795	3,386,173	480,901
<u>Past Due</u>			
31 - 60 Days	1,845,929	401,673	38,794
61 - 90 Days	557,658	17,463	7,905
91 - 120 Days	361,041	15,905	4,762
121 - 150 Days	294,940	7,957	4,445
151 - 180 Days	219,702	7,790	3,751
181 - 365 Days	3,043,442	104,803	98,867
366 Days - 2 Years	679,524	31,609	33,269
2 - 3 Years	530,901	14,817	28,281
+ 3 Years	651,059	58,311	14,044
Sub-total	18,520,991	4,046,501	715,019
Less: Collective Provision for Impairment	(2,658,529)	(519,974)	-
Total debtors by customer classification	15,862,462	3,526,527	715,019
	<u>Consumers</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>
	R	R	R
30th June 2007			
Current (0 - 30 days)	7,708,738	4,135,438	631,881
<u>Past Due</u>			
31 - 60 Days	1,522,542	424,185	49,282
61 - 90 Days	423,109	75,795	33,592
91 - 120 Days	286,900	53,045	34,336
121 - 150 Days	227,891	47,871	27,953
151 - 180 Days	286,411	50,363	28,696
181 - 365 Days	1,473,137	436,366	96,125
366 Days - 2 Years	533,120	497,138	37,058
2 - 3 Years	329,437	17,120	7,844
+ 3 Years	356,207	54,644	15,763
Sub-total	13,147,492	5,791,965	962,530
Less: Collective Provision for Impairment	(2,346,165)	(382,061)	(102,000)
Total debtors by customer classification	10,801,327	5,409,904	860,530

Ageing of consumer debtors (20.1) and debtors by customer classification (20.2) were not restated to include the effect of prior period errors.

	2008	2007
	R	Restated R
Reconciliation of Collective Provision for Impairment on Consumer debtors		
Balance at beginning of the year	2,830,226	3,702,408
Contributions to provision	1,131,495	2,781,554
Bad debts written off against provision	(783,218)	(3,653,736)
Reversal of provision	-	-
Balance at end of year	3,178,503	2,830,226

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

	2008	2007
	R	Restated R
21. OTHER DEBTORS		
Payments made in advance	308,469	312,381
Insurance claims	11,463	(2,166)
Government grants and subsidies (Past due and not impaired)	1,649,941	-
Provincial health subsidies	3,097	1,378,542
Proclaimed roads subsidies	-	-
Sub Total	1,972,970	1,688,757
Sundry debtors	3,486,864	4,207,970
Less: Collective Provision for Impairment	(846,362)	(504,109)
Sub Total	2,640,502	3,703,861
Total Other Debtors	4,613,472	5,392,618

Comparative year has been restated due to the correction of an error (refer to note 40)

		Restated
Reconciliation of Collective Provision for Impairment on Other debtors		
Balance at beginning of the year	504,109	805,610
Contributions to provision	409,142	197,955
Bad debts written off against provision	(66,889)	(499,456)
Reversal of provision	-	-
Balance at end of year	846,362	504,109

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

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and by calculating the historical payment ratios for the groupings and by assuming that the future payment ratios would be similar to the historical payment ratios.

The claims instituted against the municipality's insurance company are supported by valid insurance claims that are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

The average credit period for government grants and subsidies is dependant on the Government Department involved and the nature of claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality per allocations made in the Division of Revenue Act or based on agreements between the municipality and the relevant departments. Government grants and Subsidies receivable are past due and not impaired as management have no concerns over the credit quality of these assets

The average credit period for other debtors is 30 days. No interest is charged on trade receivables for the first 30 days from the date of the invoice. Thereafter interest is charged at prime plus one per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of the other debtors.

Management of the municipality is of the opinion that the carrying value of Other Debtors approximate their fair values.

The fair value of Other Debtors were determined after considering the standard terms and conditions of agreements entered into between the municipality and National/Provincial Departments as well as other sundry debtors. The payment ratios of other debtors were also taken into account for fair value determination.

The provision for impairment on Other Debtors (loans and receivables) exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The total amount of the provision for impairment created is R 4,024,865 and the following loans and receivables are included therein:

	2008	2007
	R	R
Consumer Debtors		
Sundry Debtors	3,178,503	2,830,226
	846,362	504,109
Total Allowance for Doubtful Debts on Other Debtors	4,024,865	3,334,335

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

	2008	2007
	R	Restated R
22. VAT		
VAT receivable	<u>1,051,020</u>	<u>1,817,473</u>

Comparative year has been restated due to the correction of an error (refer to note 40)

VAT is payable on the receipts basis. Only once payment has been received from debtors is VAT paid over to SARS.

23. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account) (OTM account)

ABSA Bank Limited - Public Sector: Account Number 40 5369 2381

Bank statement balance at beginning of year	<u>2,562,466</u>	<u>2,185,681</u>
Bank statement balance at end of year	<u>-</u>	<u>2,562,466</u>

Current Account

ABSA Bank Limited - Public Sector: Account Number 40 5369 1741

Bank statement balance at beginning of year	<u>1,126,855</u>	<u>8,349,680</u>
Bank statement balance at end of year	<u>129,649,497</u>	<u>1,126,855</u>

Current Account (ACB account)

ABSA Bank Limited - Public Sector: Account Number 40 5369 2399

Bank statement balance at beginning of year	<u>441,478</u>	<u>1,036,264</u>
Bank statement balance at end of year	<u>-</u>	<u>441,478</u>

Current Account (Cash account)

ABSA Bank Limited - Public Sector: Account Number 40 5369 2466

Bank statement balance at beginning of year	<u>74,574</u>	<u>74,665</u>
Bank statement balance at end of year	<u>5,000</u>	<u>74,574</u>

Summary

Cash book balance at beginning of year	<u>6,458,911</u>	<u>16,298,073</u>
Cash book balance at end of year	<u>133,752,148</u>	<u>6,458,911</u>
Bank statement balance at beginning of year	<u>4,205,373</u>	<u>11,646,290</u>
Bank statement balance at end of year	<u>129,654,497</u>	<u>4,205,373</u>

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

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 9.00 % to 11.60 % per annum.

Interest on overdrawn current accounts is charged at prime less 0.5 % per annum and earn interest at different rates per annum on favourable balances.

Management of the municipality is of the opinion that the carrying value of Bank Balances and Cash recorded at amortised cost in the financial statements approximate their fair values.

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

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

	2008 R	2007 R
24. PROPERTY RATES		
<i>Income</i>		
<i>Actual</i>		
Residential, Commercial, Industrial, Rural and Other	40,552,981	34,966,513
State	1,117,168	1,398,196
Municipal	1,628,015	1,498,477
Total Assessment Rates	<u>43,298,164</u>	<u>37,863,186</u>
<i>Valuations</i>		
<i>Actual</i>		
	July 2008	July 2007
Residential, Commercial, Industrial, Rural and Other	4,248,913,394	4,067,038,860
State	142,124,000	145,645,400
Municipal	124,731,000	124,886,200
Total Valuations	<u>4,515,768,394</u>	<u>4,337,570,460</u>

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

The last valuation came into effect on 1 July 2003. A general valuation, which will be applied with effect 1 July 2008, is currently performed.

A rebate of 40,00 % (2006/2007: 40,00%) was allowed on residential properties for pensioners based on the annual income of the ratepayer whilst a discount of 20 % was granted on properties owned by the state.

Uniform rates of 1,31 (2006/2007: 1.20 c/R) cent in the Rand on land and building valuations were applied to determine assessment rates.

A uniform rate for the same class and type of property will be applied with the implementation of the Property Rates Act. It is envisaged that such rate will be introduced with effect as from 01 July 2008.

Rates are levied annually on property owners. Owners are allowed to pay the annual assessment in 12 monthly instalments, which are payable the last day of the month. Interest is levied at the prime rate plus 1% on outstanding rates amounts.

	2008 R	2007 R
25. SERVICE CHARGES INCOME		
Sale of electricity	65,822,321	60,623,246
Sale of water	19,478,324	17,990,568
Refuse removal	10,460,062	9,406,096
Sewerage and sanitation charges	14,142,681	12,091,303
Total Service Charges	<u>109,903,388</u>	<u>100,111,213</u>

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

26. INTEREST EARNED**External Investments:**

Bank Account	1,186,832	901,774
Interest earned on cash deposits	11,698,894	7,356,682
	<u>12,885,726</u>	<u>8,258,456</u>

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

	2008 R	2007 R
26. INTEREST EARNED (continued)		
Outstanding Debtors:		
Rates	399,812	368,786
Long-term Receivables	19,757	31,418
Consumer Debtors	715,395	771,700
Other Debtors	90,033	95,887
	<u>1,224,997</u>	<u>1,267,791</u>
Total Interest Earned	<u>14,110,723</u>	<u>9,526,247</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	-	-
Loans and Receivables	202,906	346,539
Held-to-Maturity Investments	7,564,699	6,807,680
	<u>7,767,605</u>	<u>7,154,219</u>
Interest Earned on Non-financial Assets	-	-
27. RENTAL OF FACILITIES AND EQUIPMENT		
Rental Revenue from Buildings	187,952	167,654
Rental Revenue from Halls	162,341	174,887
Rental Revenue from Other facilities	1,304,219	1,109,017
Total Rental of Facilities and Equipment	<u>1,654,512</u>	<u>1,451,558</u>
Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.		
28. GOVERNMENT GRANTS AND SUBSIDIES		
		Restated
Abbotsdale Housing Project	-	-
Borehole: Kalbaskraal	-	120,000
Borehole: Rosenhof	-	14,569
Cleanest Town	92,954	36,529
Cleaning Projects Swartland	-	99,910
Community Development: Workers	7,979	-
Darling Pedestrian Route	-	-
Darling Sewerage Phase II	-	1,483,179
Disaster Fund Moorreesburg/Chatsworth	631,991	-
Drought Relief	-	-
Electricity: Phola Park	-	-
Electricity Riebeek Kasteel/Kalbaskraal	-	1,191,364
Financial Management Grant	737,655	404,907
Housing Consumer Education Grant	33,192	-
Housing: Darling	-	-
Housing Project : Chatsworth - Transfer Fees	64,304	-
Housing: Riebeek Kasteel	1,075,350	6,539,761
Ilinge Lethu Advisory Centre	178,533	171,442
Ilinge Lethu Multipurpose Centre	127,528	172,654
Ilinge Lethu Housing Project	-	-
Imbizo	-	40,000
Irrigation: Sewerage Water Cricket Field	-	-
Kalbaskraal Housing Project	-	-
Kalbaskraal Housing Project (2)	-	1,567,438
Klippiessdal Housing Project	-	65,163
Koringberg Sport Development	-	30,362
Koringberg Taxi Rank	-	99,711
Libraries	286,427	-
Local Government Transition Fund	-	101,365

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
Malmesbury Saamstaan Housing Project	1,286	-
Masibambani: Services	334,019	439,981
Masterplanning: Sewerage and Stormwater	100,000	63,000
Municipal Infrastructure Grant	-	3,371,913
Municipal Systems Improvement Grant	301,448	-
Goedverwacht Sportgrounds	490,650	-
Regional Development	-	181,849
Project Preparation Grant	-	-
Riebeeck Kasteel Extension 3 Housing Project	-	-
Riebeeck Kasteel: Non Motorised Transport	-	442,786
Riebeeck Wes Koinonia Housing Project	-	4,627
Riverlands/Chatsworth Sport	6,285	-
Sibanye Township	-	348,000
Soup Kitchen	7,878	47,228
Spatial Development Framework	394,131	-
Sport: Kalbaskraal	-	7,163
Swartland Youth Art School	-	31,038
Tourism	-	45,000
Upgrading: Polla Park	-	-
Vegetable Garden	-	3,000
Vuna Award	304,188	-
Provincial Health Subsidies	-	-
Proclaimed Roads Subsidies	132,000	578,000
Total Government Grant and Subsidies	<u>5,307,798</u>	<u>17,701,939</u>

Comparative year has been restated due to the correction of an error (refer to note 40)

28.1 Abbotsdale Housing Project

Balance unspent at beginning of year	114,108	114,108
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 10)	<u>114,108</u>	<u>114,108</u>

The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.

28.2 Borehole Kalbaskraal

Balance unspent at beginning of year	-	120,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(120,000)
	<u>-</u>	<u>-</u>

Funds made available to sink boreholes for the purpose of irrigation of sport fields thereby relieving the demand on the Municipality's potable water resources.

28.3 Borehole Rosenhof

Balance unspent at beginning of year	-	14,569
Current year receipts	-	-
Conditions met - transferred to revenue	-	(14,569)
	<u>-</u>	<u>-</u>

Funds made available to sink boreholes for the purpose of irrigation of sport fields thereby relieving the demand on the Municipality's potable water resources.

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
28. 4 <i>Cleanest Town</i>		
Balance unspent at beginning of year	83,471	-
Current year receipts	120,000	120,000
Conditions met - transferred to revenue	(92,954)	(36,529)
Conditions still to be met transferred to liabilities (see note 10)	<u>110,517</u>	<u>83,471</u>
Prize money for winning the national cleanest town competition.		
28. 5 <i>Cleaning Projects Swartland</i>		
Balance unspent at beginning of year	-	99,910
Current year receipts	-	-
Conditions met - transferred to revenue	-	(99,910)
	<u>-</u>	<u>-</u>
Funds provided to enable the Municipality to appoint contractors to undertake cleaning up operations in the various urban areas under its jurisdiction.		
28. 6 <i>Community Development: Workers</i>		
Balance unspent at beginning of year	24,280	-
Current year receipts	36,000	24,280
Conditions met - transferred to revenue	(7,979)	-
Conditions met - transferred to deferred income	(15,793)	-
Conditions still to be met transferred to liabilities (see note 10)	<u>36,508</u>	<u>24,280</u>
Funds made available for sundry expenditure and stationery for workers, under the control of the Municipality but remunerated by PAWC.		
28. 7 <i>Darling Pedestrian Route</i>		
Balance unspent at beginning of year	61,982	61,982
Current year receipts	540,000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 10)	<u>601,982</u>	<u>61,982</u>
Funds provided and partly expended on the construction of a pedestrian walk way in Darling East.		
28. 8 <i>Darling Sewerage Phase II</i>		
Balance unspent at beginning of year	-	-
Current year receipts	-	1,483,179
Conditions met - transferred to revenue	-	(1,483,179)
	<u>-</u>	<u>-</u>
Funds allocated for and spent on the extension and upgrading of the sewerage scheme at Darling town.		
28. 9 <i>Disaster Fund Moorreesburg/Chatsworth</i>		
Balance unspent at beginning of year	-	-
Current year receipts	2,089,549	-
Conditions met - transferred to revenue	(631,991)	-
Conditions met - transferred to deferred income	(2,472,271)	-
Conditions met - included in debtors	1,014,713	-
	<u>-</u>	<u>-</u>
Funds provided and partly expended on flood damage in Moorreesburg and Chatsworth.		

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
28. 10 Drought Relief		
Balance unspent at beginning of year	2,500,000	2,500,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions met - transferred to deferred income	(2,500,000)	-
Conditions still to be met transferred to liabilities (see note 10)	-	2,500,000
Funds made available to solve water supply problems experienced by the Municipality as a result of drought conditions and to improve the prevailing water supply emergencies within its jurisdictional area.		
28. 11 Electricity: Phola Park		
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	-
Conditions met - transferred to revenue	-	-
Conditions met - transferred to deferred income	(1,000,000)	-
	-	-
Funds allocated for and spent on the extension and upgrading of the electrical reticulation at Phola Park informal settlement.		
28. 12 Electricity Riebeeck Kasteel/Kalbaskraal		
Balance unspent at beginning of year	435,975	-
Current year receipts	-	1,627,339
Conditions met - transferred to revenue	-	(1,191,364)
Conditions still to be met transferred to liabilities (see note 10)	435,975	435,975
Funds, administered by the Municipality on behalf of Eskom, in respect of the electrification component of low cost housing projects undertaken.		
28. 13 Financial Management Grant		
Balance unspent at beginning of year	511,926	416,833
Current year receipts	250,000	500,000
Conditions met - transferred to revenue	(737,655)	(404,907)
Conditions still to be met transferred to liabilities (see note 10)	24,271	511,926
The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, capacity building, the implementation of municipal finance management legislation and regulating policies and compliance with generally accepted municipal accounting practices.		
28. 14 Housing Consumer Education Grant		
Balance unspent at beginning of year	-	-
Current year receipts	55,000	-
Conditions met - transferred to revenue	(33,192)	-
Conditions met - transferred to deferred income	(18,676)	-
Conditions still to be met transferred to liabilities (see note 10)	3,132	-
Funds allocated for educating first time homeowners.		
28. 15 Housing: Darling		
Balance unspent at beginning of year	-	-
Current year receipts	2,820,545	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 10)	2,820,545	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
<i>28. 16 Housing Project: Chatsworth (Transfer fees)</i>		
Balance unspent at beginning of year	-	-
Current year receipts	100,000	-
Conditions met - transferred to revenue	(64,304)	-
Conditions still to be met transferred to liabilities (see note 10)	35,696	-
Funds were provided to fund transfer and surveying cost payable for the exchange of land acquired for low cost housing.		
<i>28. 17 Housing Riebeeck Kasteel</i>		
Balance unspent at beginning of year	265,337	264,690
Current year receipts	1,943,989	6,540,408
Conditions met - transferred to revenue	(1,075,350)	(6,539,761)
Conditions still to be met transferred to liabilities (see note 10)	1,133,976	265,337
The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.		
<i>28. 18 Ilinge Lethu Advisory Centre</i>		
Balance unspent at beginning of year	98,558	-
Current year receipts	140,000	270,000
Conditions met - transferred to revenue	(178,533)	(171,442)
Conditions still to be met transferred to liabilities (see note 10)	60,025	98,558
Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate facility serving the township into a suitable community centre.		
<i>28. 19 Ilinge Lethu Multipurpose Centre</i>		
Balance unspent at beginning of year	161,115	308,750
Current year receipts	-	25,019
Conditions met - transferred to revenue	(127,528)	(172,654)
Conditions still to be met transferred to liabilities (see note 10)	33,587	161,115
Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate facility serving the township into a suitable community centre.		
<i>28. 20 Ilinge Lethu Housing Project</i>		
Balance unspent at beginning of year	18,254	18,254
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 10)	18,254	18,254
The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.		
<i>28. 21 Imbizo</i>		
Balance unspent at beginning of year	-	-
Current year receipts	-	40,000
Conditions met - transferred to revenue	-	(40,000)
	-	-

Received from PAWC to finance the cost incurred by the Municipality in connection with the National Imbizo presented at Malmesbury.

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
28. 22 Irrigation Sewerage Water Cricket Field		
Balance unspent at beginning of year	120,000	120,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions met - transferred to deferred income	(120,000)	-
Conditions still to be met transferred to liabilities (see note 10)	-	120,000
Funds provided for the installation of pipe-lines and accessories in order to allow for the watering of the Malmesbury Cricket field with purified sewerage water, thereby relieving the demand on the municipality's available potable water resources.		
28. 23 Kalbaskraal Housing Project		
Balance unspent at beginning of year	75,458	75,458
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 10)	75,458	75,458
The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.		
28. 24 Kalbaskraal Housing Project (2)		
Balance unspent at beginning of year	45,820	266,082
Current year receipts	973,258	1,347,176
Conditions met - transferred to revenue	-	(1,567,438)
Conditions still to be met transferred to liabilities (see note 10)	1,019,078	45,820
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
28. 25 Klippiesdal Housing Project		
Balance unspent at beginning of year	-	-
Current year receipts	-	65,163
Conditions met - transferred to revenue	-	(65,163)
	-	-
Funds provided to enable the Municipality to finance the construction costs of housing for low income groups.		
28. 26 Koringberg Sport Development		
Balance unspent at beginning of year	-	30,362
Current year receipts	-	-
Conditions met - transferred to revenue	-	(30,362)
	-	-
Funds provided to enable the Municipality to finance the construction costs of sport facilities.		
28. 27 Koringberg Taxi Rank		
Balance unspent at beginning of year	-	99,711
Current year receipts	-	-
Conditions met - transferred to revenue	-	(99,711)
	-	-
Funds provided for the construction of taxi rank facilities.		

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
<i>28. 28 Libraries</i>		
Balance unspent at beginning of year	-	-
Current year receipts	286,427	-
Conditions met - transferred to revenue	(286,427)	-
	<u>-</u>	<u>-</u>

Funds provided for salaries of additional contract workers appointed at the libraries in the area under the jurisdiction of the Swartland Municipality as well as the maintenance of the library buildings.

28. 29 Local Government Transition Fund

Balance unspent at beginning of year	-	188,422
Current year receipts	-	-
Conditions met - transferred to revenue	-	(101,365)
Transferred to Spatial Development Framework	-	(87,057)
	<u>-</u>	<u>-</u>

Funds allocated to assist the Municipality with the funding of expenditure it was obliged to incur, flowing from the demarcation process and resultant establishment of the new municipality.

28. 30 Malmesbury Saamstaan Housing Project

Balance unspent at beginning of year	50,427	50,427
Current year receipts	-	-
Conditions met - transferred to revenue	(1,286)	-
Conditions still to be met transferred to liabilities (see note 10)	<u>49,141</u>	<u>50,427</u>

The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.

28. 31 Masibambani

Balance unspent at beginning of year	85,019	-
Current year receipts	249,000	525,000
Conditions met - transferred to revenue	(334,019)	(439,981)
Conditions still to be met transferred to liabilities (see note 10)	<u>-</u>	<u>85,019</u>

Funds provided for the compiling of masterplans.

28. 32 Masterplanning: Sewerage and Stormwater

Balance unspent at beginning of year	-	-
Current year receipts	100,000	63,000
Conditions met - transferred to revenue	(100,000)	(63,000)
	<u>-</u>	<u>-</u>

Funds provided for the compiling of masterplans.

28. 33 Municipal Infrastructure Grant

Balance unspent at beginning of year	183,733	-
Current year receipts	2,871,823	3,555,646
Conditions met - transferred to revenue	-	(3,371,913)
Conditions met - transferred to deferred income	(3,055,556)	-
Conditions still to be met transferred to liabilities (see note 10)	<u>-</u>	<u>183,733</u>

Funds made available to the Municipality for the upgrading of existing infrastructure in its area of jurisdiction and/or the erection/construction of new amenities required for service delivery.

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
28. 34 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	-	-
Current year receipts	734,000	-
Conditions met - transferred to revenue	(301,448)	-
Conditions met - transferred to deferred income	(18,550)	-
Conditions still to be met transferred to liabilities (see note 10)	414,002	-
The purpose of the grant is to enable the Municipality to modernise and improve its financial management activities entailing, among others, the implementation of GRAP compliant Financial Statements and Asset Register, municipal finance management legislation and regulating policies.		
28. 35 Goedgezicht Sportgrounds		
Balance unspent at beginning of year	500,000	-
Current year receipts	-	500,000
Conditions met - transferred to revenue	(490,650)	-
Conditions still to be met transferred to liabilities (see note 10)	9,350	500,000
Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate sport facilities.		
28. 36 Regional Development		
Balance unspent at beginning of year	-	181,849
Current year receipts	-	-
Conditions met - transferred to revenue	-	(181,849)
	-	-
28. 37 Project Preparation Grant		
Balance unspent at beginning of year	-	-
Current year receipts	62,000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 10)	62,000	-
Funds provided to the Municipality to finance the cost of the preparation of plans for new housing projects.		
28. 38 Riebeek Kasteel Extension 3 Housing Project		
Balance unspent at beginning of year	95,194	95,194
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met transferred to liabilities (see note 10)	95,194	95,194
The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.		
28. 39 Riebeek Kasteel: Non Motorised Transport		
Balance unspent at beginning of year	57,214	-
Current year receipts	-	500,000
Conditions met - transferred to revenue	-	(442,786)
Conditions still to be met transferred to liabilities (see note 10)	57,214	57,214
Funds appropriated for and utilized on the construction of pavements and pedestrian walk ways in Riebeek Kasteel town.		

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
28. 40 Riebeeck Wes Koinonia Housing Project		
Balance unspent at beginning of year	173,641	178,268
Current year receipts	-	-
Conditions met - transferred to revenue	-	(4,627)
Conditions still to be met transferred to liabilities (see note 10)	<u>173,641</u>	<u>173,641</u>
The various projects, financed with funds provided by the Department of Housing of the PAWC have all been finalized. Advice is awaited from the Department as to the disposal of the surplus monies still on hand.		
28. 41 Riverlands/Chatsworth Sport		
Balance unspent at beginning of year	250,000	250,000
Current year receipts	-	-
Conditions met - transferred to revenue	(6,285)	-
Conditions still to be met transferred to liabilities (see note 10)	<u>243,715</u>	<u>250,000</u>
Approval had been obtained from the relevant authority to utilize the funds allocated for the establishment of sport facilities at Riverlands and Chatsworth for the financing of the same kind of facilities at Kalbaskraal, as no land could be made available for the said purpose at the forenamed towns.		
28. 42 Sibanye Township		
Balance unspent at beginning of year	-	348,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(348,000)
	<u>-</u>	<u>-</u>
Funds allocated to the Municipality to prepare building plots and install services in an area earmarked for the re-settlement of squatters.		
28. 43 Soup Kitchen		
Balance unspent at beginning of year	7,878	55,106
Current year receipts	15,000	-
Conditions met - transferred to revenue	(7,878)	(47,228)
Conditions still to be met transferred to liabilities (see note 10)	<u>15,000</u>	<u>7,878</u>
The available allocated funds was, except for an unspent balance at year end, spent on the purchase of food stuff/ingredients in order to provide meals to poor inhabitants of the municipal area.		
28. 44 Spatial Development Framework		
Balance unspent at beginning of year	297,057	110,000
Current year receipts	120,000	100,000
Conditions met - transferred to revenue	(394,131)	-
Transferred from Local Government Transition Fund	-	87,057
Conditions still to be met transferred to liabilities (see note 10)	<u>22,926</u>	<u>297,057</u>
Financial aid provided to support the Municipality with the process of the drafting of spatial development		
28. 45 Sport: Kalbaskraal		
Balance unspent at beginning of year	-	7,163
Current year receipts	-	-
Conditions met - transferred to revenue	-	(7,163)
	<u>-</u>	<u>-</u>
Funds provided to the Municipality to finance the cost of the transformation of the existing inadequate sport facilities.		

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
<i>28. 46 Swartland Youth Art School</i>		
Balance unspent at beginning of year	-	31,038
Current year receipts	-	-
Conditions met - transferred to revenue	-	(31,038)
	<u>-</u>	<u>-</u>
The grant was made for the development of artistic talent of the youth of the municipal area and encouragement of artistic participation from surrounding areas.		
<i>28. 47 Tourism</i>		
Balance unspent at beginning of year	-	45,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(45,000)
	<u>-</u>	<u>-</u>
Financial aid received from the WCDM for the promotion of tourism in the municipal area.		
<i>28. 48 Upgrading: Polla Park Township</i>		
Balance unspent at beginning of year	235,889	235,889
Current year receipts	5,209,193	-
Conditions met - transferred to revenue	-	-
Conditions met - transferred to deferred income	(4,400,164)	-
Conditions still to be met transferred to liabilities (see note 10)	<u>1,044,918</u>	<u>235,889</u>
Funds allocated and expended in connection with the installation of services and the construction of sanitary conveniences.		
<i>28. 49 Vegetable Garden</i>		
Balance unspent at beginning of year	-	3,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(3,000)
	<u>-</u>	<u>-</u>
Monies made available to finance the cost of a water supply connection at land used for the growing of vegetables by indigents as part of a community development program.		
<i>28. 50 Vuna Award</i>		
Balance unspent at beginning of year	-	-
Current year receipts	350,000	-
Conditions met - transferred to revenue	(304,188)	-
Conditions still to be met transferred to liabilities (see note 10)	<u>45,812</u>	<u>-</u>
Prize money for winning the Vuna Award.		
<i>28. 51 Provincial Health Subsidies</i>		
Balance unspent at beginning of year	-	(942,028)
Current year receipts	-	4,114,456
Conditions met - transferred to revenue	-	-
Conditions met - transferred to discontinued operations	-	(4,550,970)
Conditions met - included in debtors (see note 21)	-	1,378,542
	<u>-</u>	<u>-</u>

Operational costs incurred by the Municipality in connection with the operating of the Infections Diseases Hospital at Malmesbury, as well as the various clinics, situated in the municipal area, which costs are fully recoverable from the PAWC.

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

	2008 R	2007 R
28. GOVERNMENT GRANTS AND SUBSIDIES (continued)		
<i>28. 52 Proclaimed Roads Subsidies</i>		
Balance unspent at beginning of year	-	-
Current year receipts	132,000	578,000
Conditions met - transferred to revenue	(132,000)	(578,000)
	<u>-</u>	<u>-</u>

Expenditure incurred by the Municipality in connection with the maintenance of proclaimed main roads falling under the jurisdiction of the Municipality, in accordance with a budget approved by the PAWC, which costs is partly recoverable from the Administration.

28. 53 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

29. OTHER INCOME

Included in other income is the following:-

		Restated
Admission Fees: Malmesbury	92,826	90,810
Application: Service Connections	153,197	137,012
Capital Contribution: Actual	287,627	26,761
Capital Contribution: Fixed	2,413,970	720,732
Cemetery Fees: Darling	58,171	51,180
Cemetery Fees: Malmesbury	139,878	148,085
Cemetery Fees: Moorreesburg	94,952	80,910
Clearance Certificates	88,824	78,121
Efficiency Development	189,148	204,105
Entrance Fees Boats	240,746	170,910
Industrial Sewerage	534,097	233,819
Insurance Claims	2,568,765	-
New Connections	1,613,433	1,449,076
Photostats	83,010	72,216
Plan fees: Buildings	1,033,230	990,124
Refuse Coupons: Malmesbury	82,894	95,132
Refuse Coupons: Moorreesburg	69,969	55,658
Selling: Purified Sewerage Water	330,351	104,926
Street Entrances and Pavements	60,040	60,681
Subdivisions	72,674	34,195
Sundries	179,352	72,730
Tampering Fees	136,000	66,000
Valuation certificates	64,221	62,300
Housing Scheme/Private Organisations Loan Instalments	497,974	641,963
Other (less than 50 000)	683,014	781,788
Total Other Income	<u>11,768,363</u>	<u>6,429,234</u>

The amounts disclosed above for Other Income are in respect of services rendered, other than described in Notes 24 and 25, which are billed to or paid for by the users according to approved tariffs.

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

	2008 R	2007 R
30. EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	38,947,368	37,461,523
Employee related costs - Contributions for UIF, pensions and medical aids	10,669,236	9,640,321
Travel, motor car, accommodation, subsistence and other allowances	4,800,702	4,108,011
Housing benefits and allowances	508,995	401,012
Overtime payments	2,553,958	2,509,330
Bonuses: 13th Cheque	2,965,208	2,991,288
Long-service awards	-	-
Contribution to Leave Gratuity	1,078,131	886,148
Contribution to provision for post- retirement medical aid benefits	2,479,421	2,000,143
Contribution to long-service provision	244,638	845,888
Less: Employee related costs (Discontinued Operations)	-	(4,564,135)
Total Employee Related Costs	<u>64,247,657</u>	<u>56,279,529</u>

No advances were made to employees. Loans to employees are set out in note 17.

Remuneration of the Municipal Manager

Annual Remuneration	638,180	528,970
Car Allowance	135,210	98,398
13 th Cheque	-	55,635
Long-service award	-	21,902
Acting Allowance	-	7,445
Other	9,687	8,034
Contributions to UIF, Medical and Pension Funds	147,837	125,638
Total	<u>930,914</u>	<u>846,022</u>

Remuneration of the Chief Finance Officer

Annual Remuneration	380,384	346,400
Car Allowance	129,372	109,157
13 th Cheque	31,699	43,409
Long-service award	-	7,871
Leave Pay	38,691	-
Other	5,790	5,273
Contributions to UIF, Medical and Pension Funds	105,293	93,778
Total	<u>691,229</u>	<u>605,888</u>

Remuneration of Individual Executive Directors**30 June 2008**

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Community Services	Protection Services
Annual Remuneration	297,900	389,495	352,195	366,920	359,965
Car Allowance	143,157	86,061	125,840	97,723	117,585
Long-service award	-	-	14,088	-	-
13 th Cheque	-	-	29,350	30,577	29,997
Leave Pay	-	-	-	35,856	18,005
Acting Allowance	-	3,474	-	-	-
Other	4,543	5,928	5,363	5,586	5,481
Contributions to UIF, Medical and Pension Funds	68,077	93,012	102,103	100,232	93,585
Total	<u>513,677</u>	<u>577,970</u>	<u>628,939</u>	<u>636,894</u>	<u>624,618</u>

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****30. EMPLOYEE RELATED COSTS (continued)**

30 June 2007

	Corporate Services	Civil Engineering Services	Electrical Engineering Services	Community Services	Protection Services
Annual Remuneration	309,392	321,450	308,700	308,879	317,050
Car Allowance	80,825	86,571	116,138	81,027	107,920
Long-service award	-	37,288	-	-	-
13 th Cheque	28,280	40,308	40,308	36,949	40,308
Leave Pay	-	64,996	16,348	32,451	16,283
Acting Allowance	87,484	-	-	15,601	-
Other	15,409	4,896	4,704	5,126	4,830
Contributions to UIF, Medical and Pension Funds	92,277	78,838	91,063	82,359	83,181
Total	613,667	634,347	577,261	562,392	569,572

2008
R2007
R

The following accrued to key management personnel in terms of IAS 19 as at 30 June:

Post Retirement Medical Aid Benefit Liability:

Municipal Manager	54,091	43,889
Chief Financial Officer	72,784	62,290
Executive Director: Corporate Services	11,060	77,216
Executive Director: Civil Engineering Services	99,056	71,074
Executive Director: Electrical Engineering Services	143,619	99,969
Executive Director: Development Services	119,492	71,731
Executive Director: Protection Services	67,849	49,678
Total	567,951	475,847

Long Service Awards

Municipal Manager	39,491	26,896
Chief Financial Officer	23,132	18,636
Executive Director: Corporate Services	2,250	41,263
Executive Director: Civil Engineering Services	17,967	12,209
Executive Director: Electrical Engineering Services	16,108	11,478
Executive Director: Development Services	16,925	12,324
Executive Director: Protection Services	23,690	16,745
Total	139,563	139,551

Staff leave

Municipal Manager	123,884	73,439
Chief Financial Officer	53,329	52,002
Executive Director: Corporate Services	3,575	26,220
Executive Director: Civil Engineering Services	92,747	46,970
Executive Director: Electrical Engineering Services	78,230	45,107
Executive Director: Community Services	112,278	112,270
Executive Director: Protection Services	56,198	59,643
Total	520,241	415,651

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

	2008 R	2007 R
31. REMUNERATION OF COUNCILLORS		
Executive Mayor	289,732	272,917
Deputy Executive Mayor	228,780	216,216
Speaker	228,780	220,337
Mayoral Committee Members	640,629	606,123
Councillors	1,069,604	1,040,323
Councillor's - pension contribution	368,633	353,002
Councillor's - medical aid contribution	345,600	241,103
Councillor's - travelling allowances	1,057,255	982,671
Councillor's - telephone allowances	212,232	200,412
Total Councillors - Remuneration	<u>4,441,245</u>	<u>4,133,104</u>
In-kind Benefits		
The Councillors occupying the positions of Executive Mayor, Deputy Executive Mayor, Speaker and Executive Mayoral Committee Members of the Municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the Municipality in order to enable them to perform their official duties.		
32. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment (Refer note 14)	15,491,351	11,819,594
Depreciation: Investment Property (Refer note (16))	50,850	50,850
Amortisation: Intangible Assets (Refer note 15)	11,964	10,230
Total Depreciation and Amortisation	<u>15,554,165</u>	<u>11,880,674</u>
33. INTEREST PAID		
Long-term liabilities (Refer note 4)	3,445,776	3,686,297
Finance leases (Refer note 4)	120,363	35,267
Bank overdrafts	-	-
Total Interest on External Borrowings	<u>3,566,139</u>	<u>3,721,564</u>
34. BULK PURCHASES		
Electricity	33,937,063	30,779,061
Water	11,843,780	10,551,273
Total Bulk Purchases	<u>45,780,843</u>	<u>41,330,334</u>
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Escom whilst water is purchased from the West Coast District Municipality.		
35. GRANTS AND SUBSIDIES PAID		Restated
* Darling Focus	40,000	35,000
* Huis van Heerde	25,000	20,000
SPCA	168,540	168,540
* Elkana Childcare	-	20,000
* Multipurpose Centre: Chatsworth	-	-
* Multi Purpose Centre: Illinge Lethu	54,579	51,123
* Multi Purpose Centre: Kalbaskraal	1,232	-
* Multi Purpose Centre: Moorreesburg	40,000	40,000

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

	2008	2007
	R	Restated R
35. GRANTS AND SUBSIDIES PAID (continued)		
Museum - Malmesbury	34,122	29,932
Museum - Darling	36,170	34,122
Museum - Oude Kerk	36,170	31,328
Museum - Wheat Industry	36,170	34,122
* Night Shelter	25,000	20,000
Tourism Swartland and Coastal Area	637,558	548,359
Yzerfontein Conservancy	50,000	50,000
Total Grants and Subsidies	<u>1,184,541</u>	<u>1,082,526</u>

Due to the need in the Swartland Municipal area for expert services and resources to support effective domestic animal management initiatives and controls, for which the Municipality do not have the resources, it is deemed necessary, from a perspective of serving the community, for the Municipality to contribute financially towards the operational costs of the SPCA.

* The aim of **these organisations** entails the social upliftment of the poor and disadvantaged section of the community. Financial aid by the Municipality to these organisations, as well as assistance in counselling and advisory services, is intended to enable them to fulfil the said aim.

Pensioners were granted a rebate of 40 % on their property rates under certain conditions while certain government institutions received a rebate of 20 % levied on their properties.

Museums generally do not generate sufficient income from own resources and are, therefore, dependant on financial aid from the public and organisations to meet their financial needs and obligations. The Municipality, consequently, regards it appropriate to contribute financially to this end.

Aware of the importance of the promotion of tourism in the area falling under the Municipality, the Council deems it their duty and privilege to assist financially towards the needs of the various **tourism buro's** serving the area.

The **Yzerfontein Urban Conservancy** came into being to preserve and promote, on a voluntary basis, the conservation of the environment and heritage in, specifically, the sensitive coastal region within the boundaries of the Yzerfontein Local Nature Reserve. Financial assistance by the Municipality is intended to enable the Organisation to fund its programmes.

36. RESEARCH AND DEVELOPMENT COSTS

Electricity	137,719	-
Water	443,852	174,414
Sewerage	-	328,566
General	267,750	-
Total Research and Development Costs	<u>849,321</u>	<u>502,980</u>

Research and Development Costs disclosed above, have been expensed immediately and are in respect of research into the future needs of the municipality and new resources to fulfil these needs.

37. GENERAL EXPENSES

Included in general expenses is the following:-

		Restated
Administration Costs: Vehicles	79,214	76,935
Advertisements	430,232	386,662
Allowances: Ward Committee	49,054	46,625
Audit Committee Expenditure	38,219	31,561
Audit Costs	734,696	731,119
Bank costs	355,015	295,076
Chemicals	541,874	481,786
Commission	884,885	781,678
Connection Fees	1,259,164	1,135,162
Consumables	449,436	268,602
Delegations/Congresses	72,202	46,158
Disaster Management	80,490	105,868
Efficiency Development	463,636	453,462
Entertainment	36,345	38,621

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

	2008	2007
	R	Restated R
37. GENERAL EXPENSES (continued)		
Evaluation of Posts	66,653	65,309
Fuel and Oil	3,470,838	2,526,575
Operating Lease Expenditure	632,341	873,061
Infrastructure: Asset Stocktake	-	439,389
Infrastructure: Civil Survey	268,633	263,996
Insurance	851,155	775,781
Inventory: Tools and Equipment	68,709	77,690
Job Creation	-	579,194
LED Projects: Red Door	572,745	457,094
Legal Fees	187,333	326,849
Licenses: Computer Systems	1,017,723	868,981
Masterplanning: Services	849,321	502,981
Mayor Expenses	30,074	76,208
Membership Fees: Council	213,612	160,326
Postage	548,926	527,701
Printing and Stationery	549,342	564,169
Projects	408,300	437,283
Protective Clothing	616,712	437,618
Refreshments: Offices	75,912	55,949
Rental of Facilities and Hiring of Equipment	613,198	639,463
Security Services	629,137	554,906
Subscriptions	110,206	108,149
Telecommunications	1,208,925	1,085,757
Test Station Inspection Fees	37,934	39,452
Testing Sewerage	132,562	115,408
Tierfontein: Manual Subdivision	-	200,000
Traffic Fines	2,567,937	-
Training	224,382	326,688
Travelling Costs	332,189	321,283
Youth Camp (Africa Union)	340,999	301,769
Departmental Rates and Service Charges	4,860,816	4,061,451
Government Grant Expenditure	11,532,787	15,213,959
Other	3,909,539	1,457,604
Total General Expenses	<u>42,403,402</u>	<u>39,321,358</u>

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense.

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

	2008 R	2007 R
38. DISCONTINUING OPERATIONS		
The operations of the health services, namely Clinics, Community Services and Prime Health Care, were discontinued during the previous year and transferred to the Provincial Administration Western Cape. The analysis of the profit as disclosed on the Statement of Financial Performance is as follows:		
INCOME		
Government subsidies	-	4,542,285
Total Income	-	4,542,285
Less: Expenditure		
General expenses	-	322,027
Employee related cost	-	4,564,135
Depreciation	-	33,362
Repairs and maintenance	-	4,252
Net surplus/(deficit) from discontinuing operations	-	(381,491)
Cash flows from discontinued operations		
Net cash flows from operating activities	-	381,491
Depreciation	-	33,362
	-	414,853

39. CHANGE IN ACCOUNTING POLICY

The municipality adopted the exempted portions of the following International Accounting Standards for the first time during the financial year 2007/2008 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1. These have been implemented as at 30 June 2008:

- GRAP 3 : Accounting policies, changes in accounting estimates and errors.
- IFRS 3 (AC 140) : Business combinations
- IFRS 5 (AC 142) : Non-current assets held for sale and discontinued operations
- IFRS 7 (AC 144) : Financial instruments: Disclosures
- IAS 20 (AC 134) : Accounting for Government Grants and disclosure of government assistance
- IAS 39 (AC 133) : Financial instruments: Recognition and measurement

Government grant reserve

The municipality accounted for government grants related to non-current assets in accordance with GAMAP 9 for the year ended 30 June 2007. The municipality must account for government grants related to non-current assets in accordance with IAS 20.26.

The financial statements of 2007 have been restated to disclose the effects of implementing the above 6 accounting policies. The effect of the restatement due to changes in accounting policies is summarised in note 40 (c) paragraph 3.

40. CORRECTION OF ERROR

During the 2006/2007 financial period a number of errors occurred, which are set out below:

40.1 Reserves to accumulated surplus

Since fund accounting is not allowed in terms of GRAP / GAMAP / GAAP, the municipality's internal funds and reserves should form part of the Accumulated Surplus and should not be disclosed, as in 2007, as separate reserves on the face of the Statement of Financial Position and Statement of Changes in Net Assets.

40.2 Finance Leases

In 2007 incorrect information was used regarding the cost of finance leased assets. Subsequently, more accurate information was obtained from the suppliers and the resulting effect on these assets, lease liabilities and expenditures were adjusted.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****40. CORRECTION OF ERROR (continued)****40. 3 Equitable share**

In 2006/07 a portion of the equitable share granted to indigent households remained unused and appeared as credits on consumer debtor accounts - these transactions and consumer accounts were adjusted to reflect correct amounts in the comparative year. In addition, the equitable share grant (not conditional) was not correctly accounted for as revenue during prior financial periods.

40. 4 Previous periods appropriations and transactions

A number of errors in prior periods' appropriations and transactions were discovered and corrected in the current financial period. These errors include faulty meter readings and levies in respect of service charges as well as the writing back of staled cheques.

40. 5 Disposal of land and buildings

It was established that certain disposals accounted for during the current financial period actually occurred during the 2006/07 financial period. The profit/loss on disposal, and balances of PPE and Investment property were adjusted to reflect correct amounts in the comparative year.

40. 6 Pensioner and government rebates

During previous financial period, rebates granted to pensioners and government institutions was incorrectly accounted for as subsidies, and not rebates. This does not affect the surplus for any prior period, but the revenue and expense items were adjusted to reflect correct amounts in the comparative year.

40. 7 Telephone costs recovered

The reduction of telephone costs, for private calls recovered from employees, was previously incorrectly accounted for as income. This does not affect the surplus for any prior period, but the revenue and expense items were adjusted to reflect correct amounts in the comparative year.

40. 8 Finance lease receivables

Certain receivables were reclassified after the agreements were determined to be finance leases, and the effect of the reclassification is indicated below (see note 40 (d)). This has been done to enhance the comparability of the Financial Statements.

The financial statements of 2007 has been restated to correct these errors. The effect of the restatement is summarised below:

	Previously reported 2007	Amount of correction 2007	Restated 2007
(a) Adjustment of opening balances			
NET ASSETS			
* Accumulated Surplus 1 July 2006	(75,224,806)	(159,010,724)	(234,235,530)
Inclusion of Internal Funds and Reserves in Accumulated surplus balance:			
<i>Housing Development Fund</i>		(5,760,065)	
<i>Capital Replacement Reserve</i>		(40,219,341)	
<i>Capitalisation Reserve</i>		(108,475,793)	
<i>Donations and Public Contributions Reserve</i>		(1,910,000)	
Equitable share recognised as revenue		(1,738,655)	
Previous years' appropriations and transactions		(906,870)	
* Internal funds and reserves 1 July 2006			
Inclusion in Accumulated surplus balance:			
<i>Housing development fund</i>	(5,760,065)	5,760,065	-
<i>Capital replacement reserve</i>	(40,219,341)	40,219,341	-
<i>Capitalisation reserve</i>	(108,475,793)	108,475,793	-
<i>Donations and public contributions reserve</i>	(1,910,000)	1,910,000	-
<i>Government grant reserve - transfer to deferred income</i>	(51,804,649)	51,804,649	-
	(283,394,654)	49,159,124	(234,235,530)

SWARTLAND MUNICIPALITY

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

40. CORRECTION OF ERROR (continued)

	Previously reported 2007	Amount of correction 2007	Restated 2007
LIABILITIES			
* Deferred revenue 1 July 2006 <i>Transfer from Government grant reserve</i>	-	(51,804,649)	(51,804,649)
* Unspent conditional grants and receipts 1 July 2006 <i>Equitable share recognised as revenue</i>	(1,738,655)	1,738,655	-
* Effect of adjustments prior to 1 July 2006		906,870	
Total effect of adjustments to opening balances 1 July 2006		-	
(b) Adjustment of accumulated surplus movement for the year ended 30 June 2007	(52,903,016)	25,907,818	(26,995,198)
<i>Housing development fund</i>		2,060,329	
<i>Capital replacement reserve</i>		18,983,509	
<i>Capitalisation reserve</i>		6,583,400	
<i>Donations and public contributions reserve</i>		95,500	
<i>Government grant reserve</i>		(3,235,935)	
<i>Adjustments for previous years</i>		906,870	
<i>Surplus for the year</i>		514,145	
Total effect of adjustment against accumulated surplus 30 June 2007 (a) + (b)	(128,127,822)	(133,102,906)	(261,230,728)
(c) Adjustment against surplus for the year ended 30 June 2007			
Decrease/(Increase) in Revenue			
Property rates	(38,479,093)	615,907	(37,863,186)
<i>- Previous years' appropriations and transactions</i>		20,131	
<i>- Rebates granted to pensioners and government institutions</i>		595,776	
<i>Service charges (Previous years' appropriations and transactions)</i>	(100,437,171)	325,958	(100,111,213)
<i>Rental of facilities and equipment (Previous years' appropriations and transactions)</i>	(1,451,260)	(298)	(1,451,558)
<i>Interest earned - external</i>	(8,258,456)	-	(8,258,456)
<i>Interest earned - outstanding debtors</i>	(1,267,791)	-	(1,267,791)
<i>Fines (Previous years' appropriations and transactions)</i>	(2,172,287)	(1,550)	(2,173,837)
<i>Licences and permits</i>	(2,267,527)	-	(2,267,527)
<i>Income for agency services</i>	(2,117,394)	-	(2,117,394)
Government grants & subsidies	(24,124,870)	306,883	(23,817,987)
<i>Reversing of full capital grant amount incorrectly recorded as revenue</i>		6,708,952	
<i>Revenue recognised equal to depreciation expense on GG assets</i>		(3,473,017)	
<i>Full grant amount recorded as revenue - equitable share (not conditional)</i>		(2,929,052)	
<i>Other grants (Previous years' appropriations and transactions)</i>	(114,431)	-	(114,431)
Other income	(6,435,556)	6,322	(6,429,234)
<i>- Previous years' appropriations and transactions</i>		(132,510)	
<i>- Telephone costs recovered</i>		138,832	
<i>Gains on disposal of property, plant and equipment</i>	(12,826,928)	455,500	(12,371,428)
<i>Profit on Sale Of Land</i>	(555,380)	-	(555,380)
Increase/(Decrease) in Expenditure			
<i>Employee related costs (Previous years' appropriations and transactions)</i>	56,279,719	(190)	56,279,529
<i>Remuneration of Councillors</i>	4,133,104	-	4,133,104
<i>Bad debts</i>	2,979,509	-	2,979,509
<i>Depreciation</i>	11,800,834	-	11,800,834
<i>Depreciation (on finance leased asset)</i>	42,113	4,368	46,481
<i>Repairs and maintenance</i>	8,890,022	-	8,890,022

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****40. CORRECTION OF ERROR (continued)**

	Previously reported 2007	Amount of correction 2007	Restated 2007
<i>Interest paid</i>	3,686,297	-	3,686,297
<i>Interest paid (on finance leases)</i>	36,042	(775)	35,267
<i>Bulk purchases</i>	41,330,334	-	41,330,334
<i>Contracted services</i>	1,837,472	-	1,837,472
<i>Grants & subsidies paid (Rebates to pensioners and government institutions)</i>	1,678,302	(595,776)	1,082,526
<i>General expenses (Unused equitable share grants)</i>	15,496,369	(282,410)	15,213,959
<i>General expenses (Previous years' appropriations and transactions)</i>	23,202,604	(180,962)	23,021,642
<i>General expenses (Telephone costs recovered)</i>	1,224,589	(138,832)	1,085,757
<i>Deficit from Discontinued Operations</i>	381,491	-	381,491
Decrease/(Increase) in surplus for the year ended 30 June 2007	(27,509,343)	514,145	(26,995,198)
(d) Adjustment of balances - assets and liabilities - as at 30 June 2007			
Increase/(decrease) in PPE (finance leased asset) carrying value	332,802	36,179	368,981
<i>PPE (finance leased asset) cost</i>	374,915	40,547	415,462
<i>Accumulated depreciation</i>	(42,113)	(4,368)	(46,481)
Increase/(decrease) in Investment properties carrying value	25,110,659	(455,500)	24,655,159
<i>Investment property cost</i>	31,099,104	(455,500)	30,643,604
<i>Accumulated depreciation</i>	(5,988,445)	-	(5,988,445)
Increase/(decrease) in Long term receivables due to reclassification	2,940,266	(2,032,602)	907,664
<i>Non-current portion</i>	2,432,159	(1,681,596)	750,563
<i>Current portion</i>	508,107	(351,006)	157,101
Increase/(decrease) in Finance lease receivables due to reclassification	-	2,032,602	2,032,602
<i>Non-current portion</i>	-	1,681,596	1,681,596
<i>Current portion</i>	-	351,006	351,006
Increase in VAT receivable	1,749,201	68,272	1,817,473
<i>I.r.o. finance lease adjustment</i>		58,165	
<i>Previous years' appropriations and transactions</i>		10,107	
Increase/(decrease) in Inventory	6,293,758	585	6,294,343
<i>Consumable stores - at cost</i>	1,515,036	-	1,515,036
<i>Stationery - at cost</i>	557,468	585	558,053
<i>Water - at cost</i>	86,339	-	86,339
<i>Unsold properties held for resale</i>	4,134,915	-	4,134,915
Increase/(decrease) in Consumer debtors	17,071,761	(65,148)	17,006,613
<i>Rates</i>	4,157,427	(20,104)	4,137,323
<i>Electricity</i>	6,863,339	201,647	7,064,986
<i>Water</i>	2,505,758	(54,710)	2,451,048
<i>Sewerage</i>	2,078,420	(183,345)	1,895,075
<i>Refuse removal</i>	1,366,953	(7,166)	1,359,787
<i>Housing rentals</i>	99,864	(1,470)	98,394
Increase/(decrease) in Other Debtors	5,271,548	121,070	5,392,618
<i>Payments made in advance</i>	312,381		312,381
<i>Insurance claims</i>	10,881	(13,047)	23,928
<i>Provincial health subsidies</i>	1,378,542		1,378,542
<i>Sundry debtors</i>	4,073,853	134,117	4,181,876
<i>Less : Provision for bad debts</i>	(504,109)		(504,109)
(Increase)/decrease in Creditors	(30,171,525)	185,217	(29,986,308)
<i>Trade creditors</i>	(21,921,916)	-	(21,921,916)
<i>Payments received in advance</i>	(354,768)	-	(354,768)
<i>Retentions</i>	(1,391,660)	-	(1,391,660)
<i>Staff leave</i>	(3,177,406)	-	(3,177,406)
<i>Other creditors</i>	(3,325,775)	185,217	(3,140,558)

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****40. CORRECTION OF ERROR (continued)**

	Previously reported 2007	Amount of correction 2007	Restated 2007
Decrease/(Increase) in finance lease liability	(344,515)	(97,938)	(442,453)
<i>Non-current</i>	(274,674)	(95,295)	(369,969)
<i>Current</i>	(69,841)	(2,642)	(72,484)
Decrease/(Increase) in deferred income liability	-	(55,040,584)	(55,040,584)
Decrease/(Increase) in Unspent conditional grants and receipts - Equitable share	(4,667,707)	4,667,707	-
Reconciliation of adjustments due to accounting policies and prior period errors			
NET ASSETS AND LIABILITIES			
Net assets	311,810,867	(50,580,139)	261,230,728
Housing Development Fund	3,699,736	(3,699,736)	-
Capital replacement reserve	21,235,832	(21,235,832)	-
Capitalisation reserve	101,892,393	(101,892,393)	-
Government grant reserve	55,040,584	(55,040,584)	-
Donations and public contributions reserve	1,814,500	(1,814,500)	-
Accumulated Surplus/(Deficit)	128,127,822	133,102,906	261,230,728
Non-current liabilities	46,041,548	51,114,812	97,156,360
Deferred income	-	51,019,517	51,019,517
Long-term liabilities	25,951,366	95,295	26,046,661
Provision for post- retirement medical aid benefits	17,577,618	-	17,577,618
Other non-current provisions	2,512,564	-	2,512,564
Current liabilities	49,409,295	- 829,215	48,580,080
Consumer deposits	4,158,554	-	4,158,554
Provisions	1,143,736	-	1,143,736
Creditors	30,171,525	(185,217)	29,986,308
Unspent conditional grants and receipts	11,460,043	(4,667,707)	6,792,336
Operating lease liability	5,016	-	5,016
Current portion of deferred income	-	4,021,067	4,021,067
Current portion of long-term liabilities	2,470,421	2,642	2,473,063
Total Net Assets and Liabilities	407,261,710	(294,542)	406,967,168
ASSETS			
Non-current assets	275,436,296	- 419,321	275,016,975
Property, plant and equipment	246,879,841	36,179	246,916,020
Intangible Assets	1,013,637	-	1,013,637
Investment property	25,110,659	(455,500)	24,655,159
Long-term receivables	2,432,159	(1,681,596)	750,563
Finance lease receivables	-	1,681,596	1,681,596
Current assets	131,825,414	124,779	131,950,193
Inventory	6,293,758	585	6,294,343
Assets classified as held-for-sale	-	-	-
Consumer debtors	17,071,761	(65,148)	17,006,613
Other debtors	5,271,548	121,070	5,392,618
VAT	1,749,201	68,272	1,817,473
Call investment deposits	-	-	-
Current portion of long-term receivables	508,107	-	508,107
Current portion of finance lease receivables	-	-	-
Bank balances and cash	100,931,039	-	100,931,039
Total Assets	407,261,710	(294,542)	406,967,168
Surplus/(Deficit) for the year	27,509,343	(514,145)	26,995,198

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

	2008	2007
	R	Restated R
41. CASH GENERATED BY OPERATIONS		
Surplus for the year	66,291,282	26,995,198
Adjustment for:-		
Previous years		906,870
Depreciation and Amortisation	15,554,165	11,880,674
Gain on disposal of property, plant and equipment	(62,165)	(100,432)
Profit on sale of land	(44,350,738)	(12,826,374)
Increase/(Decrease) in provisions	1,532,332	763,631
Increase/(decrease) in deferred income	9,755,256	-
Increase/(decrease) in consumer deposits	393,074	335,830
Investment income	(12,885,726)	(8,258,456)
Interest paid	3,566,139	3,721,564
Operating surplus before working capital changes:	39,793,619	23,418,505
(Increase)/decrease in inventories	(1,106,789)	(533,049)
(Increase)/decrease in consumer debtors	(3,097,395)	(3,634,018)
(Increase)/decrease in other debtors	779,146	1,658,252
(Decrease)/increase in unspent conditional grants and receipts	2,290,394	3,735,427
Increase/(Decrease) in the net operating lease liability	22,550	5,016
(Increase)/Decrease in investment property		
Increase/(Decrease) in creditors	3,696,798	10,312,155
Increase/(Decrease) in VAT	766,453	(2,916,543)
Cash generated by/(utilised in) operations	43,144,776	32,045,745
42. CASH AND CASH EQUIVALENTS		
Bank balances and cash (Refer to note 23)	133,752,148	6,458,911
Call investment deposits	603,728	94,463,898
Petty Cash Advances	8,030	8,230
Total cash and cash equivalents	134,363,906	100,931,039
43. NON-CASH INVESTING AND FINANCING TRANSACTIONS		
The Municipality was not engaged in any transaction or event during the year under review involving non-cash investing and financing transactions.		
44. FINANCING FACILITIES		
Unsecured Bank Overdraft Facility, reviewed annually and payable at call:		
- Amount used	-	-
- Amount unused	1,000,000	1,000,000
	1,000,000	1,000,000
45. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities (see Note 4)	26,850,846	28,519,724
Used to finance property, plant and equipment - at cost	26,850,846	28,519,724
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities	2,918,834	1,765,542
Cash invested for repayment of long-term liabilities	2,918,834	1,765,542

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that the upcoming annual payment for long-term liabilities can be made.

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

	2008	2007
	R	R
46. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
46.1 <u>Unauthorised expenditure</u>		
To the best of knowledge no unauthorised expenditure was incurred during the year under review.		
46.2 <u>Fruitless and wasteful expenditure</u>		
To the best of knowledge instances of note indicating that fruitless and wasteful expenditure was incurred during the year under review were not revealed.		
46.3 <u>Irregular expenditure</u>		
To the best of knowledge instances of note indicating that irregular expenses was incurred during the year under review were not revealed.		
47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
47.1 <i>Contributions to organized local government</i>		
Opening balance	-	-
Council subscriptions	248,252	180,737
Amount paid - current year	(248,252)	(180,737)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
47.2 <i>Audit fees</i>		
Opening balance	1,283	-
Current year audit fee	760,155	789,911
Amount paid - current year	(760,155)	(788,628)
Amount written back - previous years	(1,283)	-
Balance unpaid (included in creditors)	<u>-</u>	<u>1,283</u>
47.3 <i>VAT</i>		
VAT input receivables and VAT output payables are shown in note 11 and 22. All VAT returns have been submitted by the due date throughout the year.		
47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
47.4 <i>PAYE and UIF</i>		
Opening balance	-	-
Current year payroll deductions	5,970,808	6,182,216
Amount paid - current year	(5,970,808)	(6,182,216)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
47.5 <i>Pension and Medical Aid Deductions</i>		
Opening balance	-	-
Current year payroll deductions and Council Contributions	9,590,003	9,510,266
Amount paid - current year	(9,590,003)	(9,510,266)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>-</u>	<u>-</u>
47.6 <i>Councillor's arrear consumer accounts</i>		
During the financial year under review no Councillor (present or past) was in arrear with the settlement of their municipal accounts.		

SWARTLAND MUNICIPALITY

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

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

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The incidents as listed hereunder have been condoned.

Incident	Reasons submitted for non-compliance
Appointing of OIM International for implementing of the Prosperity Partnership project. Item 7.1 of the minutes of the Executive Mayoral Committee held on 12 March 2008.	(i) The Prosperity Partnership model was identified as the most efficient model and the property of OIM International. (ii) The INVOCOM's (working groups within the organization) is a registered trademark of OIM International and the development and maintenance of INVOCOM's is an integral part of the planned program.
Appointing of Work Dynamics for the development of a market related salary structure based on the Task post grading. Item 7.3 of the minutes of the Executive Mayoral Committee held on 12 March 2008.	(i) Specialised expertise is needed for the development of a market related salary structure. (ii) Work Dynamics is a specialised service provider in this field and has previously handled the stipulations of Swartland Municipality's Management salary packages.
Appointing of Ninham Shand Consulting Engineers for control of storm water drainage and planning of a bus route in Chatsworth. Item 6.6 of the minutes of the Executive Mayoral Committee held on 16 April 2008.	(i) Ninham Shand has already done the preliminary research and prepared two project options with the expenses linked thereto. Since one section of the planned bus route is part of the solution for flooding it was therefore recommended that these two projects be combined for practical, executive and emergency purposes. (ii) The speedy solution for the flooding problem experienced in Chatsworth, which has been treated as an emergency for the past few years due to damages suffered to municipal as well as private property, was urgent.
Appointing of SKC Masakhizwe Engineers to replace the night soil bucket system with a sewerage system in Abbotsdale. Item 7.15 of the minutes of the Executive Mayoral Committee held on 14 May 2008.	(i) SKC Masakhizwe Engineers was involved with the design and installing of the sewerage network in the area and it would therefore be practical and beneficial to appoint them to execute the final phase of the project. (ii) The phasing out of the bucket system is regarded as high priority for obvious reasons.
Appointing of The Green Connection to investigate and comment on the proposed construction of a new cement factory and extension of the existing mining activities at PPC, Riebeeck West. Item 4.2 of the minutes of the Executive Mayoral Committee held on 14 May 2008.	(i) Specific skills were required to undertake the investigation. (ii) The Green Connection specialises in this field and already advises the residents of Riebeeck West on the subject matter.
Extension of contract with ASLA Devco (Pty) Ltd as Implementation Agent for the upgrading of low cost housing projects previously erected by them. Item 7.13 of the minutes of the Executive Mayoral Committee held on 11 June 2008.	(i) ASLA Devco (Pty) Ltd is Swartland Municipality's standing appointed Implementation Agent and is not time bound. The timeframe for the making available of funding of housing projects by the Provincial Housing Department cannot be pre-determined, therefore rendering the adherence to prescripts impractical. (ii) The extension of the contract is further subjected to the providing of proof by ASLA Devco (Pty) Ltd of its financial standing to guarantee their successful honouring of the contract.
Deviation of Supply Chain Management Policy for the appointment of Kwezi V3 Engineers for the implementation of a water pump station at Moorreesburg. Item 4.6 of the minutes of the Executive Mayoral Committee held on 26 June 2007.	The service provider was engaged in the planning of the previous phases of the town's water supply project, thereby rendering their appointment for the final phase of the project, coupled with the urgent need to raise the inflow of water into the reservoir, especially during the summer period, self-evident.
Appointing of Landscape Architect (OvP Associates) for ward allocations, 2007/2008 financial year. Item 6.1 of the minutes of the Executive Mayoral Committee held on 18 July 2007.	The service provider's familiarity with local circumstances, stemming from their engagement on the Municipality Spatial Development Framework, as well as experience gained by them on various private sector projects, motivates the Council's viewpoint that the non-adherence to prescripts in respect of the project, was in the Municipality's best interest and that their appointment was fully justified.
Extending the agreement entered into with Triple E Training Holdings for providing basic adult training (ABET) to municipal workers during the 2007/2008 financial year. Item 7.10 of the minutes of the Executive Mayoral Committee meeting held on 14 November 2007.	Having been engaged in the previous training phase of workers, the service provider is familiar with the level of progress and skills already achieved. Council convinced that by obtaining the services of the same service provider to further the Municipality's training program best serve its interest.

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

2008	2007
R	R

47. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)*47.7 Non-Compliance with Chapter 11 of the Municipal Finance Management Act (continued)*

Contracting Riverlands Cleaning and Maintenance to render cleaning services in respect of municipal parks and public open spaces. Item 7.11 of the minutes of the Executive Mayoral Committee meeting held on 14 November 2007.	Time constraints and the shortage of capacity to render the service departmentally, coupled with the urgency of the matter, prevented the following of the prescribed procurement procedure.
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48. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for

Infrastructure
Other

	2,850,000	6,867,600
	2,850,000	5,017,600
	-	1,850,000

- Approved but not yet contracted for

Infrastructure
Community
Heritage
Other

	52,490,108	56,068,389
	50,430,108	45,412,889
	200,000	4,010,500
	-	-
	1,860,000	6,645,000

Total

	55,340,108	62,935,989
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This expenditure will be financed from:

- External Loans

13,832,217

-

- Capital Replacement Reserve

28,298,891

53,708,100

- Government Grants

13,209,000

9,227,889

	55,340,108	62,935,989
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49. FINANCIAL INSTRUMENTS*49.1 Classification***Financial Assets**

In accordance with IAS 39.09 the Financial Assets of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

Financial asset**Classification****Long-term Receivables**

Loans to Sport Clubs

Loans and receivables

-

11,964

Loans to Public Organisations

Loans and receivables

530,427

564,420

Finance Lease Receivables

Car loans

Loans and receivables

47,860

174,179

Housing Selling Scheme Loans

Loans and receivables

738,299

1,681,596

Consumer Debtors

Rates

Loans and receivables

4,698,140

4,137,323

Electricity

Loans and receivables

8,599,803

7,064,986

Water

Loans and receivables

3,001,400

2,451,048

Sewerage

Loans and receivables

2,158,500

1,895,075

Refuse Removal

Loans and receivables

1,576,909

1,359,787

Housing Rentals

Loans and receivables

69,256

98,394

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

		2008 R	2007 R
49. FINANCIAL INSTRUMENTS (continued)			
<i>49.1 Classification (continued)</i>			
Financial Assets (continued)			
Other Debtors			
Insurance claims	Loans and receivables	11,463	(2,166)
Government grants and subsidies	Loans and receivables	1,649,941	-
Provincial health subsidies	Loans and receivables	3,097	1,378,542
Proclaimed roads subsidies	Loans and receivables	-	-
Sundry debtors	Loans and receivables	2,640,502	3,703,861
Current Portion of Long-term Receivables			
Loans to Sport Clubs	Loans and receivables	-	13,679
Loans to Public Organisations	Loans and receivables	33,993	36,265
Current Portion Finance Lease Receivables			
Car loans	Loans and receivables	57,223	107,157
Housing Selling Scheme Loans	Loans and receivables	162,672	351,006
Bank Balances and Cash			
Bank Balances	Loans and receivables	133,752,148	6,458,911
Cash Floats and Advances	Loans and receivables	8,030	8,230
Other Cash Equivalents	Loans and receivables	603,728	94,463,898
Total Financial Assets		<u>160,345,399</u>	<u>125,960,162</u>

Financial liabilities

In accordance with IAS 39.09 the Financial Liabilities of the municipality are classified as follows (FVTPL = Fair Value through Profit or Loss):

<u>Financial liability</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Not valued at FVTPL	22,976,835	25,676,692
Consumer Deposits			
Electricity and Water	Not valued at FVTPL	4,551,628	4,158,554
Creditors			
Trade creditors	Not valued at FVTPL	23,972,310	21,921,916
Retentions	Not valued at FVTPL	2,163,591	1,391,660
Staff leave	Not valued at FVTPL	3,483,692	3,177,406
Other creditors	Not valued at FVTPL	3,331,632	3,140,558
Current Portion of Long-term Liabilities			
Annuity Loans	Not valued at FVTPL	2,699,857	2,400,580
Total Financial Liabilities		<u>63,179,545</u>	<u>61,867,366</u>

49.2 Fair Value of Financial Instruments

Management of the municipality is of the opinion that the carrying value of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values. The fair value of Financial Assets and Financial Liabilities were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the the current payment ratio's of the municipality's debtors.

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

	2008	2007
	R	R
49.3 Capital Risk Management		
<p>The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2007.</p> <p>The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in Note 4, Bank, Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Notes 2 and 42 and the Statement of Changes in Net Assets.</p>		
<u>Gearing Ratio</u>		
The gearing ratio at the year-end was as follows:		
Debt	26,850,846	28,519,724
Bank Overdraft	-	-
Net Debt	<u>26,850,846</u>	<u>28,519,724</u>
Equity	<u>327,522,009</u>	<u>261,230,727</u>
Net debt to equity ratio	8.20 %	10.92 %

Debt is defined as Long- and Short-term Liabilities, as detailed in Note 4.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance.

49.4 Financial Risk Management Objectives

The Directorate: Financial services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by internal auditors on a continuous basis, and by external auditors annually. The entity does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

49.5 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

49.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates (see Note 49.7 below). No formal policy exists to hedge volatilities in the interest rate market.

49.6.1 Interest Rate Risk Management

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

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

The municipality is exposed to interest rate risk as the municipality borrows funds at both fixed and floating interest rates.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2008**49. FINANCIAL INSTRUMENTS (continued)****Interest Rate Sensitivity Analysis**

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates. The short and long-term financial instrument at year-end with variable interest rates are set out in 49.7 and 49.8 below.

- If interest rates had been 100 basis points higher/lower and all other variables were held constant, the municipality's surplus for the year ended 30 June 2008 would have decreased/increased by R 6,300 (2007: decreased/increased by R 6,825). This is mainly attributable to the municipality's exposure to interest rates on its variable rate borrowings.

The municipality's sensitivity to interest rates has decreased during the current period mainly due to the reduction in the balance of the variable rate debt instrument.

49.7 Effective Interest Rates and Repricing Analysis

The following tables indicate the average effective interest rates of Income-earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

30 June 2008

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
FIXED RATE INSTRUMENTS					
Held-to-maturity Investments		-	-	-	-
ABSA		-	-	-	-
Nedbank		-	-	-	-
Unsecured Bank Facilities		2,925,521	2,922,983	5,841,183	11,689,687
Development Bank	15.50	70,546	68,008	131,232	269,786
Development Bank	12.00	307,040	307,040	614,081	1,228,161
Development Bank	15.50	549,671	549,671	1,099,342	2,198,684
INCA	11.60	1,998,264	1,998,264	3,996,528	7,993,056
VARIABLE RATE INSTRUMENTS		134,363,906	-	-	134,363,906
Short-term Investment Deposits	10.40	603,728	-	-	603,728
Bank Balances and Cash	10.50	133,760,178	-	-	133,760,178
Total Variable Rate Instruments		134,363,906	-	-	134,363,906

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

49. FINANCIAL INSTRUMENTS (continued)

49.7 Effective Interest Rates and Repricing Analysis (continued)

30 June 2008

Description	Average effective Interest Rate	Total brought forward	2 - 5 Years	More than 5 Years	Total
	%	R	R	R	R
FIXED RATE INSTRUMENTS					
Held-to-maturity Investments		-	-	-	-
ABSA		-	-	-	-
Nedbank		-	-	-	-
Unsecured Bank Facilities		11,689,687	17,479,615	11,674,863	40,844,165
Development Bank	15.50	269,786	349,759	559,816	1,179,361
Development Bank	12.00	1,228,161	1,842,242	3,070,396	6,140,799
Development Bank	15.50	2,198,684	3,298,029	6,046,387	11,543,100
INCA	11.60	7,993,056	11,989,585	1,998,264	21,980,905
VARIABLE RATE INSTRUMENTS		134,363,906	-	-	134,363,906
Short-term Investment Deposits	10.40	603,728	-	-	603,728
Bank Balances and Cash	10.50	133,760,178	-	-	133,760,178
Total Variable Rate Instruments		134,363,906	-	-	134,363,906

30 June 2007

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
FIXED RATE INSTRUMENTS					
Held-to-maturity Investments		70,000,000	-	-	70,000,000
ABSA	9.55	55,000,000	-	-	55,000,000
Nedbank	9.55	15,000,000	-	-	15,000,000
Unsecured Bank Facilities		2,921,692	2,924,663	5,848,505	11,694,860
Development Bank	15.50	66,717	69,688	138,554	274,959
Development Bank	12.00	307,040	307,040	614,081	1,228,161
Development Bank	15.50	549,671	549,671	1,099,342	2,198,684
INCA	11.60	1,998,264	1,998,264	3,996,528	7,993,056
VARIABLE RATE INSTRUMENTS		30,931,040	-	-	30,931,040
Short-term Investment Deposits	8.70	24,463,899	-	-	24,463,899
Bank Balances and Cash	8.00	6,467,141	-	-	6,467,141
Total Variable Rate Instruments		30,931,040	-	-	30,931,040

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****49. FINANCIAL INSTRUMENTS (continued)***49.7 Effective Interest Rates and Repricing Analysis (continued)*

30 June 2007

Description	Average effective Interest Rate	Total brought forward	2 - 5 Years	More than 5 Years	Total
	%	R	R	R	R
FIXED RATE INSTRUMENTS					
Held-to-maturity Investments		70,000,000	-	-	70,000,000
ABSA	9.55	55,000,000	-	-	55,000,000
Nedbank	9.55	15,000,000	-	-	15,000,000
Unsecured Bank Facilities		11,694,860	17,501,583	17,494,078	46,690,521
Development Bank	15.50	274,959	371,727	669,079	1,315,765
Development Bank	12.00	1,228,161	1,842,242	3,684,477	6,754,880
Development Bank	15.50	2,198,684	3,298,029	7,145,729	12,642,442
INCA	11.60	7,993,056	11,989,585	5,994,793	25,977,434
VARIABLE RATE INSTRUMENTS		30,931,040	-	-	30,931,040
Short-term Investment Deposits	8.70	24,463,899	-	-	24,463,899
Bank Balances and Cash	8.00	6,467,141	-	-	6,467,141
Total Variable Rate Instruments		30,931,040	-	-	30,931,040

49.8 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Council. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 44 is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.(cash)

Liquidity and Interest Risk Tables

The following tables detail the municipality's remaining contractual maturity for its non-derivative **financial liabilities**. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
30 June 2008					
Variable Interest Rate Instruments	13.95	37,573,399	68,008	131,232	37,772,639
Fixed Interest Rate Instruments	13.03	2,854,975	2,854,975	5,709,951	11,419,901
		40,428,374	2,922,983	5,841,183	49,192,540
30 June 2007					
Variable Interest Rate Instruments	11.12	33,856,811	69,688	138,554	34,065,053
Fixed Interest Rate Instruments	13.03	2,854,975	2,854,975	5,709,951	11,419,901
		36,711,786	2,924,663	5,848,505	45,484,954

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008****49. FINANCIAL INSTRUMENTS (continued)***49.8 Liquidity Risk Management (continued)*

Description	Average effective Interest Rate	Total brought forward	2 - 5 Years	More than 5 Years	Total
	%	R	R	R	R
30 June 2008					
Variable Interest Rate Instruments	11.12	37,772,639	349,759	559,816	38,682,214
Fixed Interest Rate Instruments	13.03	11,419,901	17,129,856	11,115,047	39,664,804
		49,192,540	17,479,615	11,674,863	78,347,018
30 June 2007					
Variable Interest Rate Instruments	11.12	34,065,053	371,727	669,079	35,105,859
Fixed Interest Rate Instruments	13.03	11,419,901	17,129,856	16,824,999	45,374,756
		45,484,954	17,501,583	17,494,078	80,480,615

The following table details the municipality's expected maturity for its non-derivative **financial assets**. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Description	Average effective Interest Rate	6 Months or less	6 - 12 Months	1 - 2 Years	Total carried forward
	%	R	R	R	R
30 June 2008					
Variable Interest Rate Instruments	10.45	134,363,906	-	-	134,363,906
Fixed Interest Rate Instruments	9.43	164,814	217,807	341,020	723,641
		134,528,720	217,807	341,020	135,087,547
30 June 2007					
Variable Interest Rate Instruments	8.83	30,931,040	-	-	30,931,040
Fixed Interest Rate Instruments	9.09	70,869,464	718,090	382,622	71,970,176
		101,800,504	718,090	382,622	102,901,216

Description	Average effective Interest Rate	Total brought forward	2 - 5 Years	More than 5 Years	Total
	%	R	R	R	R
30 June 2008					
Variable Interest Rate Instruments	10.45	134,363,906			134,363,906
Fixed Interest Rate Instruments	9.43	723,641	509,412	1,093,335	2,326,388
		135,087,547	509,412	1,093,335	136,690,294
30 June 2007					
Variable Interest Rate Instruments	8.83	30,931,040	-	-	30,931,040
Fixed Interest Rate Instruments	9.09	71,970,176	740,442	1,203,326	73,913,944
		102,901,216	740,442	1,203,326	104,844,984

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2008**49. FINANCIAL INSTRUMENTS (continued)****49.8 Liquidity Risk Management (continued)**

The municipality has access to financing facilities, the total unused amount which is R 1,000,000 at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio. This will be achieved through increasing tariffs and the increased use of unsecured bank loan facilities.

49.9 Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

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

	2008	2007
	R	R
Fixed Deposit Investments	-	-
Long-term Receivables	669,503	907,664
Consumer Debtors	23,282,511	19,836,839
Other Debtors	7,432,804	7,585,484
Finance lease receivables	900,971	2,032,602
Bank Guarantees	53,100	49,600
Bank and Cash Balances	134,363,906	100,931,039
Maximum Credit and Interest Risk Exposure	<u>166,702,795</u>	<u>131,343,228</u>

SWARTLAND MUNICIPALITY

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

50. MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The personnel of the Swartland Municipality are members of the funds as set out below. These schemes are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below. The Cape Joint Pension Fund is defined benefit plan, whereas the Cape Joint Retirement Fund, Municipal Councillors Fund, The Provident Fund and The National Fund for Municipal Workers are defined contribution plans. Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:

- The assets of each fund are held in one portfolio; these assets are not nationally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contributions applies to all participating employers.

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

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

CAPE JOINT PENSION FUND

The Cape Joint Pension Fund operates both as a defined benefit and defined contribution scheme.

The defined benefit scheme is a multi-employer plan and the contribution rate payable is 9 %, by the members and 18 % by Council. The last valuation performed for the year ended 30 June 2007 (30 June 2006) revealed that the fund had an actuarial surplus of R 200,21 million (R 293,02 million) with a funding level of 107,2 % (111,4 %), and is in a sound financial state as at 30 June 2007.

The actuarial valuation report at 30 June 2007 indicated that the the defined contribution scheme of the fund is in a sound financial position, with a funding level of 105.3% (2006:105.5%).

CAPE JOINT RETIREMENT FUND

The contribution rate paid by the members (9,0 %) and Council (18,0 %) is sufficient to fund the benefits accruing from the fund in future. The last valuation performed for the year ended 30 June 2007 (30 June 2006) revealed that the fund had an actuarial surplus of R 105,04 million (R 38,6 million) with a funding level of 137,4 % (114,0 %). Certified in a sound financial position as at 30 June 2007.

MUNICIPAL COUNCILLORS PENSION

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The actuarial valuation of the fund was undertaken at 30 June 2006 and was reported to be in a sound financial position . The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future.

SOUTH AFRICAN MUNICIPAL WORKERS UNION NATIONAL PROVIDENT FUND

The contribution rate payable is 7,5 % by the members 18 % by Council. Actuarial valuation on this fund is performed every three years, and the last valuation performed for the year ended 30 June 2005 certified that the fund is in a sound financial state.

NATIONAL FUND FOR MUNICIPAL WORKERS

The above mentioned fund is a defined contribution Fund and according to Regulation 2 of the Pension Funds Act no 24 of 1956 exempt from the provisions of sections 9A and 16 of the Act. The contribution rate paid by the members is 9.00 % and by the council is 18.00 %.

The latest voluntary valuation was done on 30 June 2007 (30 June 2006). As at 30 June 2007 the results state that the way the benefits are structured in the rules, the fund is limited to an amount equal to the accumulation of all the contributions plus investment returns less administration costs. The NFMW Retirement Fund does not have any reserve accounts or surpluses which could be allocated to members Fund records.

None of the above mentioned plans are state plans.

SWARTLAND MUNICIPALITY**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 30 JUNE 2008**51. RELATED PARTY TRANSACTIONS**

During the year the municipality rendered services to the following related parties that are related to the municipality as indicated:

<i>51.1 Services rendered to related parties</i>	Rates	Service Charges	Other	Outstanding Balances
30 June 2008				
Councillors	46,507	103,848	1,355	10,787
Municipal Manager and Section 57 Personnel	27,883	79,532	350	6,425
Total	74,390	183,380	1,705	17,212
30 June 2007				
Councillors	41,622	104,928	912	7,229
Municipal Manager and Section 57 Personnel	25,542	65,303	-	6,061
Total	67,164	170,231	912	13,290

The rates, service and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses had been recognised in respect of amounts owed by related parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel (managers directly accountable to the Municipal Manager). No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

51.2 Related Party Loans

Loans to Councillors and senior management employees are no longer permitted since 1 July 2004. Loans that were granted prior to this date, together with the conditions, are disclosed in note 18 to the Annual Financial Statements.

51.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 30.

51.4 Other related party transactions

The Municipality entered into business transactions during the financial year under review with the service provider mentioned below. The said providers are considered to be related parties as they are in some way or other connected to the Municipality, either as councillor or family tie to employees of the Municipality. These transactions were duly concluded in compliance with the provisions of the Supply Chain Management Policy of the Municipality.

Service Provider	Value of Transaction	Name of Councillor/Employee	Relation to Service Provider
MC Bakwerke BK	R 1,895.25	C McKrieling (Councillor)	Owner

2008 **2007**
R **R**

52. CONTINGENT LIABILITY

Guarantees in favour of Eskom	53,100	49,600
	53,100	49,600

Bank guarantees provided to Eskom for the supply of electricity to the Municipality for distribution amongst consumers. The guarantees is covered to a large extent by cash deposits recovered from the individual consumers of electricity within the municipal area.

SWARTLAND MUNICIPALITY

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

53. CONTINGENT ASSET

The Municipality was not engaged in any transaction or event during the year under review giving rise to a contingent asset.

54. IN-KIND DONATION AND ASSISTANCE

The Municipality did not receive any in-kind donation and assistance during the year under review.

55. COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

56. PRIVATE PUBLIC PARTNERSHIPS

The Municipality has as yet not entered into a public-private partnership agreement with any private party.

57. EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2008.

58. STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of these financial statements the municipality has not applied the following GRAP standards that have been issued but is not yet effective:

- .. GRAP 4 The Effects of Changes in Foreign Exchange Rates
- .. GRAP 5 Borrowing Costs
- .. GRAP 6 Consolidated AFS
- .. GRAP 7 Associates
- .. GRAP 8 Joint Ventures
- .. GRAP 9 Revenue
- .. GRAP 10 Financial Reporting in Hyperinflationary Economies
- .. GRAP 11 Construction Contracts
- .. GRAP 12 Inventories
- .. GRAP 13 Leases
- .. GRAP 14 Events After the Reporting Date
- .. GRAP 16 Investment Property
- .. GRAP 17 Property Plant and Equipment
- .. GRAP 18 Segment Reporting
- .. GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- .. GRAP 100 Non Current assets held for sale
- .. GRAP 101 Agriculture
- .. GRAP 102 Intangible Assets

Application of all of the above GRAP standards is required for the period commencing 1 July 2008, and it is anticipated that these standards will be adopted in the municipality's annual financial statements during this period.

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality as there are no fundamental differences between the standards currently being applied and the equivalent GRAP standards.

In addition, certain accounting standards or portions thereof, exempted in terms of General notice 522 of 2007, has not been adopted by the municipality. Appendix H to the financial statements sets out the process that the municipality will follow regarding plans to implement the exemptions, as well as the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards.

APPENDIX ASWARTLAND MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008

	Loan Number	Redeemable	Balance at 30/06/2007	Received during the period	Redeemed written off during the period	Balance 30/06/2008	Carrying Value of Property, Plant and Equipment	Other Costs in accordance with the MFMA
EXTERNAL LOANS								
LONG- TERM LOANS								
Development Bank		31/03/2018	3,694,579	-	174,301	3,520,278	1,023,249	-
Development Bank		31/12/2018	5,812,100	-	202,879	5,609,221	4,495,584	-
Development Bank		30/06/2020	682,487	-	52,499	629,988	-	-
INCA		31/12/2013	17,888,106	-	1,970,901	15,917,205	18,535,966	-
Total Long- Term Loans			28,077,272	-	2,400,580	25,676,692	24,054,799	-
LEASES								
Sunlyne Rentals			34,807	-	4,777	30,030	309,460	-
CTC Finance			407,646	-	67,707	339,939	23,342	-
Minoltafin			-	854,697	50,512	804,185		
Total leases			442,453	854,697	122,996	1,174,154	332,802	-
TOTAL EXTERNAL LOANS			28,519,725	854,697	2,523,576	26,850,846	24,387,601	-

APPENDIX B**SWARTLAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Land and Buildings										
Land	52,905,809	-	-	218,000	52,687,809	372,336	117,680	-	490,016	52,197,793
Buildings	50,618,933	2,382,941	-	242,000	52,759,874	35,053,498	815,743	161,333	35,707,908	17,051,966
	103,524,742	2,382,941	-	460,000	105,447,683	35,425,834	933,423	161,333	36,197,924	69,249,759
Infrastructure										
Drains	-	-	-	-	-	-	-	-	-	-
Roads	452,681,823	13,793,225	7,844,328	-	474,319,376	397,683,821	4,499,104	-	402,182,925	72,136,451
Beach Improvements	-	72,036	-	-	72,036	-	-	-	-	72,036
Sewerage Mains and Purification	187,050,788	6,459,332	9,272,924	-	202,783,044	142,606,133	3,036,232	-	145,642,365	57,140,679
Electricity Mains	141,534,894	4,676,121	1,806,496	-	148,017,511	118,014,120	1,445,852	-	119,459,972	28,557,539
Electricity Peak Load Equipment	436,608	-	-	-	436,608	226,046	21,830	-	247,876	188,732
Water Mains and Purification	1,729,231	-	-	-	1,729,231	752,555	80,155	-	832,710	896,521
Reservoirs - Water	26,987,772	1,600,632	-	-	28,588,404	21,626,552	310,816	-	21,937,368	6,651,036
Water Meters	400,545	-	-	108,851	291,694	160,497	26,703	72,568	114,632	177,062
Water Mains	95,054,817	2,162,343	2,214,824	-	99,431,984	77,525,218	1,236,459	-	78,761,677	20,670,307
Landfill Sites	941,555	-	-	-	941,555	263,382	33,802	-	297,184	644,371
	906,818,033	28,763,689	21,138,572	108,851	956,611,443	758,858,324	10,690,953	72,568	769,476,709	187,134,734
Community Assets										
Parks and Gardens	603,427	-	-	-	603,427	125,209	28,661	-	153,870	449,557
Libraries	3,956,733	-	-	-	3,956,733	1,943,203	75,524	-	2,018,727	1,938,006
Recreation Grounds	11,823,491	173,695	-	-	11,997,186	6,394,358	508,077	-	6,902,435	5,094,751
Civic Buildings	12,608,683	-	240,107	-	12,848,790	6,292,124	322,772	-	6,614,896	6,233,894
	28,992,334	173,695	240,107	-	29,406,136	14,754,894	935,034	-	15,689,928	13,716,208
Heritage Assets										
Historical Buildings	586,266	-	-	-	586,266	443,164	10,109	-	453,273	132,993
Painting and Art Galleries	-	-	-	-	-	-	-	-	-	-
	586,266	-	-	-	586,266	443,164	10,109	-	453,273	132,993
Housing Rental Stock										
Housing Rental 1	790,175	-	-	-	790,175	87,660	26,340	-	114,000	676,175
Housing Rental 2	823,002	-	-	-	823,002	699,551	41,150	-	740,701	82,301
	1,613,177	-	-	-	1,613,177	787,211	67,490	-	854,701	758,476
Total carried forward	1,041,534,552	31,320,325	21,378,679	568,851	1,093,664,705	810,269,427	12,637,009	233,901	822,672,535	270,992,170

APPENDIX B**SWARTLAND MUNICIPALITY****ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008 (continued)**

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Total brought forward	1,041,534,552	31,320,325	21,378,679	568,851	1,093,664,705	810,269,427	12,637,009	233,901	822,672,535	270,992,170
Leased Assets (Infrastructure)										
Sewerage Mains and Purify	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Other Assets										
Office Equipment	1,485,829	1,574,038	-	-	3,059,867	698,577	273,107	-	971,684	2,088,183
Furniture and Fittings	3,691,762	149,848	-	-	3,841,610	2,300,324	402,510	-	2,702,834	1,138,776
Bins and Containers	1,479,922	50,670	-	-	1,530,592	558,032	157,768	-	715,800	814,792
Emergency Equipment	8,360	-	-	-	8,360	608	1,676	-	2,284	6,076
Motor Vehicles	14,647,989	4,974,585	-	145,683	19,476,891	6,633,729	1,165,176	101,978	7,696,927	11,779,964
Fire Engines	331,878	-	-	-	331,878	83,276	11,800	-	95,076	236,802
Refuse Tankers	4,408,111	1,384,902	-	-	5,793,013	1,499,155	368,535	-	1,867,690	3,925,323
Computer Equipment	4,307,537	1,026,572	-	-	5,334,109	3,305,773	315,504	-	3,621,277	1,712,832
	30,361,388	9,160,615	-	145,683	39,376,320	15,079,474	2,696,076	101,978	17,673,572	21,702,748
Leased Assets										
Office Equipment	415,462	749,734	-	-	1,165,196	46,481	158,266	-	204,747	960,449
	415,462	749,734	-	-	1,165,196	46,481	158,266	-	204,747	960,449
Total: Property, Plant and Equipment	1,072,311,402	41,230,674	21,378,679	714,534	1,134,206,221	825,395,382	15,491,351	335,879	840,550,854	293,655,367

ANALYSIS OF INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Investment Properties	30,643,604	-	-	802,530	29,841,074	5,988,445	50,850	-	6,039,295	23,801,779
Intangible Assets	1,034,098	1,265,539	-	-	2,299,637	20,461	11,964	-	32,425	2,267,212
Total	31,677,702	1,265,539	-	802,530	32,140,711	6,008,906	62,814	-	6,071,720	26,068,991
Grand Total	1,103,989,104	42,496,213	21,378,679	1,517,064	1,166,346,932	831,404,288	15,554,165	335,879	846,622,574	319,724,358

APPENDIX C

SWARTLAND MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Cemeteries	38,071	13,369	-	-	51,440	34,802	1,353	-	36,155	15,285
Corporate Services	6,228,260	447,178	41,518.00	-	6,716,956	3,093,179	492,315	-	3,585,494	3,131,462
Electricity	144,236,908	4,744,118	1,806,496.00	-	150,787,522	119,250,354	1,682,760	-	120,933,114	29,854,408
Development Services	971,647	443,364	198,589.00	-	1,613,600	404,355	58,309	-	462,664	1,150,936
Financial Services	3,062,586	2,728,434	-	-	5,791,020	699,338	416,059	-	1,115,397	4,675,623
Fire Fighting	1,139,389	-	-	-	1,139,389	559,811	67,375	-	627,186	512,203
Housing	2,225,893	-	-	-	2,225,893	1,397,297	68,015	-	1,465,312	760,581
Libraries	2,549,730	117,166	-	-	2,666,896	381,232	138,569	-	519,801	2,147,095
Municipal Property	141,938,571	1,208,896	-	1,262,530	141,884,937	50,930,614	889,009	161,333	51,658,290	90,226,647
Parks and Recreational	3,012,582	712,447	-	-	3,725,029	1,227,992	213,348	-	1,441,340	2,283,689
Protection Services	4,954,879	984,395	-	26,983	5,912,291	1,979,925	267,761	18,888	2,228,798	3,683,493
Refuse Removal	8,257,743	2,010,217	-	-	10,267,960	3,263,693	613,956	-	3,877,649	6,390,311
Roads and Stormwater	458,300,176	16,978,728	7,844,328.00	45,800	483,077,432	400,433,122	4,978,614	32,060	405,379,676	77,697,756
Sewerage	189,701,464	6,693,535	9,272,924.00	72,900	205,595,023	143,600,007	3,241,448	51,030	146,790,425	58,804,598
Sportsgrounds	11,766,158	1,474,572	-	-	13,240,730	3,061,073	690,370	-	3,751,443	9,489,287
Water	125,605,047	3,939,794	2,214,824	108,851	131,650,814	101,087,494	1,734,904	72,568	102,749,830	28,900,984
TOTAL	1,103,989,104	42,496,213	21,378,679	1,517,064	1,166,346,932	831,404,288	15,554,165	335,879	846,622,574	319,724,358

APPENDIX DSWARTLAND MUNICIPALITYSEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Restated Actual Income R	2007 Restated Actual Expenditure R	2007 Restated Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
114,239	11,976,624	(11,862,385)	Executive and Council	401,780	13,704,882	(13,303,102)
84,325,392	42,304,200	42,021,192	Finance and Administration	120,892,397	40,725,111	80,167,286
1,243,211	2,636,722	(1,393,511)	Planning and Development	1,343,381	2,501,320	(1,157,939)
610,786	5,288,505	(4,677,719)	Community and Social Services	1,116,909	6,476,891	(5,359,982)
680,914	1,545,076	(864,162)	Housing	577,376	2,108,336	(1,530,960)
12	8,110,806	(8,110,794)	Public Safety	12	9,529,187	(9,529,175)
1,366,780	6,126,847	(4,760,067)	Sport and Recreation	1,793,020	7,853,454	(6,060,434)
-	-	-	Environmental Protection	-	-	-
12,838,579	10,391,797	2,446,782	Waste Water Management	16,493,492	12,316,719	4,176,773
9,619,119	9,715,501	(96,382)	Waste Management	10,695,034	11,004,360	(309,326)
7,383,859	16,606,092	(9,222,233)	Road Transport	13,476,779	21,124,513	(7,647,734)
19,160,379	18,704,597	455,782	Water	22,768,737	20,876,692	1,892,045
61,441,185	41,210,246	20,230,939	Electricity	67,685,799	46,082,000	21,603,799
14,967	664,611	(649,644)	Other	13,791	754,190	(740,399)
198,799,422	175,281,624	23,517,798	Sub Total	257,258,507	195,057,655	62,200,852
4,542,285	4,923,776	(381,491)	Health (Discontinued operation)	-	-	-
203,341,707	180,205,400	23,136,307		257,258,507	195,057,655	62,200,852
-	(3,858,891)	3,858,891	Less Inter- Departmental Charges	-	(4,090,430)	4,090,430
203,341,707	176,346,509	26,995,198	Total	257,258,507	190,967,225	66,291,282

APPENDIX E (1)**SWARTLAND MUNICIPALITY****ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008**

	2008 Actual R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
REVENUE					
Property rates	43,298,164	39,656,420	3,641,744	9.18	
Service charges	109,903,388	102,488,941	7,414,447	7.23	
Rental of facilities and equipment	1,654,512	1,412,676	241,836	17.12	Income realised more than income anticipated.
Interest earned - external investments	12,885,726	8,171,862	4,713,864	57.68	Increased income due to favourable cash balances throughout the year and higher interest rates received than that estimated.
Interest earned - outstanding debtors	1,224,997	825,000	399,997	48.48	Income derived from interest on late payments higher than income anticipated.
Fines	6,711,635	1,939,695	4,771,940	246.01	Increased income due to improved law enforcement.
Licences and permits	2,672,475	1,987,925	684,550	34.44	Higher demand for licences and permits.
Income for agency services	2,347,840	1,960,000	387,840	19.79	Income realised more than income anticipated.
Government grants and subsidies	20,378,504	39,307,791	(18,929,287)	(48.16)	Will vary from year-to-year depending on grants allocated.
Other income	11,768,363	6,525,338	5,243,025	80.35	Contribution derived from accumulated surplus did not materialise.
Gains on disposal of property, plant and equipment	44,412,903	73,398,026	(28,985,123)	(39.49)	Income derived from landsales lower than income anticipated.
Total Revenue	257,258,507	277,673,674	(20,415,167)	(7.35)	
EXPENDITURE					
Employee related costs	64,247,657	70,924,874	(6,677,217)	(9.41)	Posts budgeted for not filled.
Remuneration of Councillors	4,441,245	3,703,610	737,635	19.92	Increase in councillor's allowances
Bad debts	1,540,636	3,376,060	(1,835,424)	(54.37)	Provision for bad debt less than the amount budgeted for due to improved debt collection and a new method of calculation.
Depreciation	15,554,160	17,543,077	(1,988,917)	(11.34)	Depreciation brought to account higher than the amount budgeted for.
Repairs and maintenance	10,192,824	10,681,130	(488,306)	(4.57)	
Interest paid on external borrowings	3,566,139	6,673,058	(3,106,919)	(46.56)	Raising of new loan did not materialise.
Bulk purchases	45,780,843	43,463,470	2,317,373	5.33	
Contracted services	2,055,778	2,034,950	20,828	1.02	
Grants and subsidies paid	1,184,541	1,903,988	(719,447)	(37.79)	
General expenses- other	42,403,402	46,588,605	(4,185,203)	(8.98)	Expenditure less than anticipated.
Loss on disposal of property, plant and equipment	-	-	-	-	
Total Expenditure	190,967,225	206,892,822	(15,925,597)	(7.70)	
Surplus/(Deficit) for the year from discontinued operations	-				
NET SURPLUS/(DEFICIT) FOR THE YEAR	66,291,282	70,780,852	(4,489,570)	(6.34)	

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

	2008 Actual R	2008 Under Construction R	2008 Total Additions R	2008 Budget R	2008 Variance R	2008 Variance %	Explanation of Significant Variances greater than 10 % versus Budget
Executive and Council	5,145,010	41,518	5,186,528	7,535,234	(2,348,706)	(31.17)	Amount budgeted for was not fully spent during the 2007/2008 financial year and was carried over to the new financial year.
Finance and Administration	1,199,423	-	1,199,423	1,877,693	(678,270)	(36.12)	Amount budgeted for was not fully spent during the 2007/2008 financial year and was carried over to the new financial year.
Planning and Development	25,162,739	2,380,161	27,542,900	27,802,828	(259,928)	(0.93)	
Health	-	-	-	-	-	-	
Community and Social Services	2,276,019	-	2,276,019	3,195,500	(919,481)	(28.77)	Inventory items budgeted for as operating expenditure transferred to capital expenditure.
Housing	201,033	-	201,033	150,808	50,225	33.30	Inventory items budgeted for as operating expenditure transferred to capital expenditure.
Public Safety	546,963	-	546,963	620,000	(73,037)	(11.78)	Inventory items budgeted for as operating expenditure transferred to capital expenditure.
Sport and Recreation	792,372	-	792,372	1,106,500	(314,128)	(28.39)	Inventory items budgeted for as operating expenditure transferred to capital expenditure.
Environmental Protection	-	-	-	-	-	-	
Waste Management	4,085,677	9,272,924	13,358,601	16,793,474	(3,434,873)	(20.45)	Amount budgeted for was not fully spent during the 2007/2008 financial year and was carried over to the new financial year.
Road Transport	389,976	7,844,328	8,234,304	10,196,686	(1,962,382)	(19.25)	Amount budgeted for was not fully spent during the 2007/2008 financial year and was carried over to the new financial year.
Water	1,949,874	33,252	1,983,126	2,883,040	(899,914)	(31.21)	
Electricity	563,394	1,806,496	2,369,890	3,832,918	(1,463,028)	(38.17)	Amount budgeted for was not fully spent during the 2007/2008 financial year and was carried over to the new financial year.
Other	183,733	-	183,733	183,733	-	-	
	42,496,213	21,378,679	63,874,892	76,178,414	(12,303,522)	(16.15)	

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act Yes / No
		June	September	December	March	June	September	December	March	June	September	December	March		
Abbotsdale Housing Project	Provincial Department of Housing	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Cleanest Town	Provincial Department of Environmental Affairs and Development Planning	-	-	-	120,000	36,529	824	11,277	80,853	-	-	-	-	None	Yes
Community Development Workers	Provincial Department of Local Government	-	-	36,000	-	-	-	12,714	2,001	-	-	-	-	None	Yes
Darling Pedestrian Route	Provincial Department of Transport and Public Works	-	-	360,000	180,000	-	-	-	-	-	-	-	-	None	Yes
Disaster Fund Moorreesburg/ Chatsworth	National Department of Provincial and Local Government	-	-	-	2,089,549	-	-	10,140	1,240,732	-	-	-	-	None	Yes
Drought Relief	National Department of Provincial and Local Government	-	-	-	-	1,118,809	527,131	297,143	156,898	-	-	-	-	None	Yes
Electricity: Phola Park	National Department of Minerals and Energy	-	-	500,000	400,000	-	-	256,911	180,629	-	-	-	-	None	Yes
Electricity: Riebeeck Kasteel/ Kalbaskraal	Eskom	611,552	-	-	-	47,229	-	-	-	-	-	-	-	None	Yes
Local Government Financial Management Grant	National Treasury	-	250,000	-	-	81,282	108,201	278,667	28,322	-	-	-	-	None	Yes
Housing Consumer Education Grant	Provincial Department of Housing	-	-	-	-	-	-	-	10,834	-	-	-	-	None	Yes
Housing Darling	Provincial Department of Housing	-	-	-	2,820,545	-	-	-	-	-	-	-	-	None	Yes
Housing Riebeeck Kasteel	Provincial Department of Housing	-	-	1,079,455	864,533	-	-	1,075,350	-	-	-	-	-	None	Yes

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003 (continued)****Grant and Subsidies Received**

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of the grant framework in the latest Division of Revenue Act Yes / No
		June	September	December	March	June	September	December	March	June	September	December	March		
Illinge Lethu Multipurpose Centre	Provincial Department of Social Services and Poverty Alleviation	120,000	140,000			88,428	40,568	47,822	42,679	-	-	-	-	None	Yes
Illinge Lethu Centre	Provincial Department of Social Services and Poverty Alleviation	-	-	-	-	75,579	31,552	29,705	28,875	-	-	-	-	None	Yes
Illinge Lethu Housing Project	Provincial Department of Housing	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Irrigation Cricket Field	Provincial Department of Agriculture	-	-	-	-	-	17,406	42,281	60,313	-	-	-	-	None	Yes
Kalbaskraal Housing Project	Provincial Department of Housing	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Kalbaskraal Housing Project (2)	Provincial Department of Housing	-	-	-	973,258	220,262	-	-	-	-	-	-	-	None	Yes
Library	Provincial Library Services	-	71,607	71,607	143,214	-	51,021	76,287	62,838	-	-	-	-	None	Yes
Malmesbury Saamstaan Housing Project	Provincial Department of Housing	-	-	-	-	-	1,286	-	-	-	-	-	-	None	Yes
Masibambani	National Department of Water Affairs and Forestry	-	100,000	45,000	104,000	393,579	-	320,203	-	-	-	-	-	None	Yes
Masterplanning	Provincial Department of Housing	-	-	-	-	20,164	-	-	50,000	-	-	-	-	None	Yes
Municipal Infrastructure Grant	National Department of Provincial and Local Government	-	-	1,000,001	1,871,822	-	1,437,867	1,290,505	183,733	-	-	-	-	None	Yes
Municipal Systems Improvement Grant	National Department of Provincial and Local Government	-	367,000	367,000	-	-	36,227	36,227	54,777	-	-	-	-	None	Yes
Goedgedacht Sportgrounds	Provincial Department of Cultural Affairs and Sport	-	-	-	-	-	-	-	286,890	-	-	-	-	None	Yes
Project Preparation Grant	Provincial Department of Housing	-	-	-	62,000	-	-	-	-	-	-	-	-	None	Yes
Riebeek Kasteel Extension 3 Housing Project	Provincial Department of Housing	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes

APPENDIX F**SWARTLAND MUNICIPALITY****DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MFMA, 56 OF 2003 (continued)****Grant and Subsidies Received**

Name of Grants	Name of organ of	Quarterly Receipts				Quarterly expenditure				Grants and Subsidies delayed / withheld				delay/	Did your municipality Yes / No
		June	September	December	March	June	September	December	March	June	September	December	March		
Riebeeck Kasteel Non Motorised Transport	Provincial Department of Transport and Public Works	-	-	-	-	352,151	-	-	-	-	-	-	-	None	Yes
Riebeeck Wes Koinonia Housing Project	Provincial Department of Housing	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes
Riverlands/Chatsworth Sport	Provincial Department of Cultural Affairs and Sport	-	-	-	-	-	-	6,286	-	-	-	-	-	None	Yes
Soup Kitchen	West Coast District Municipality	-	-	-	15,000	17,964	737	-	7,140	-	-	-	-	None	Yes
Spatial Development Framework	Provincial Department of Environmental Affairs and Development Planning	-	120,000	-	-	-	-	224,375	-	-	-	-	-	None	Yes
Upgrading: Polla Park	Provincial Department of Housing	-	1,464,102	3,645,091	100,000	-	466,391	818,586	3,115,186	-	-	-	-	-	-
Vuna Award	DBSA	-	350,000	-	-	-	-	-	-	-	-	-	-	-	-
Proclaimed Roads Subsidy	Provincial Department of Transport and Public Works	-	-	-	132,000	-	135,904	29,096	-	-	-	-	-	None	Yes
Total		731,552	2,862,709	7,104,154	9,875,921	2,451,976	2,855,115	4,863,575	5,592,700	-	-	-	-		

*** Reasons for non-compliance**

No expenditure was incurred in this financial year. The funding will be utilised in the next financial year.

APPENDIX G**SWARTLAND MUNICIPALITY****IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007**

Financial reporting	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Person	Estimated
Property, plant and equipment (GRAP 17)	Review of useful life of items of PPE recognised in the annual financial statements <i>[paragraphs 59 – 61, and 77]</i>	<ol style="list-style-type: none"> 1) CFO to communicate the requirement for the review of useful lives of PPE to all custodians of Assets through a workshop/written communication. 2) CFO to issue a memo to all departmental managers at year-end to request them to ensure that the remaining useful life of all items of PPE as reflected for assets under their control per the FAR is realistic. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year-end. 4) The useful lives in the asset register should be amended for items identified and the depreciation charge adjusted for the current and future periods. 5) Pass necessary accounting entries and also do necessary disclosure of the change in estimate (nature of change in estimate, amounts involved, effect on future periods). 	C F Gerber	30/06/2009
Property, plant and equipment (GRAP 17)	Review of depreciation method applied to PPE recognised in the annual financial statements <i>[paragraphs 62 and 77]</i>	<ol style="list-style-type: none"> 1) CFO to communicate the requirement for the review of depreciation method applied to PPE to all custodians of Assets through a workshop/written communication. 2) CFO to issue a memo to all departmental managers at year-end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 3) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 4) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year-end. 5) Pass necessary accounting entries and also do necessary disclosure of the change in estimate (nature of change in estimate, amounts involved, effect on future periods). 	C F Gerber	30/06/2009
Property, plant and equipment (GRAP 17)	Impairment of non-cash-generating assets <i>[paragraphs 64 – 69 and 75(e)(v) – (vi)]</i>	<ol style="list-style-type: none"> 1) Identify items of PPE that may have suffered impairment losses at year-end by issuing a memo to all departments requesting them to identify assets that: <ul style="list-style-type: none"> Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Are technologically obsolete at year-end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life. are not performing according to their specifications or according to industry accepted norms. 2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount. 	C F Gerber	30/06/2009

APPENDIX G**SWARTLAND MUNICIPALITY****IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007 (continued)**

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Property, plant and equipment (GRAP 17)	Impairment of cash-generating assets [paragraphs 63 and 75(e)(v) – (vi)]	1)	Identify items of PPE that may have suffered impairment losses at year-end by issuing a memo to all departments requesting them to identify assets that: Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Are technologically obsolete at year-end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life. are not performing according to their specifications or according to industry accepted norms.	C F Gerber	30/06/2009
		2)	Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.		
Impairment of Assets (IAS 36/AC 128)	Entire Standard	1)	An accounting policy on the impairment and associated losses of assets should be developed.	C F Gerber	30/06/2009
		2)	Identify items of PPE that may have suffered impairment losses at year-end by issuing a memo to all departments requesting them to identify assets that: Are in a state of permanent damage at year-end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end); Are stolen at year-end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft); Are technologically obsolete at year-end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout); Have remained idle for a considerable period either prior to them being put into use at year-end or during their useful life. are not performing according to their specifications or according to industry accepted norms.		
		3)	Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.		
Inventories (GAMAP 12)	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17.		The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Inventories (GAMAP 12) by 30 June 2007.	Implemented	30/06/2007
Inventories (GAMAP 12)	The entire standard to the extent that it relates to water stock that was not purchased by the municipality.		The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Inventories (GAMAP 12) by 30 June 2007.	Implemented	30/06/2007

APPENDIX G**SWARTLAND MUNICIPALITY****IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007**

Financial reporting	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Person	Estimated
Investment Property (IAS 40/AC 135)	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Investment Properties (IAS40 /AC 135) by 30 June 2007.	Implemented	30/06/2007
Investment Property (IAS 40/AC 135)	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of the standard. <i>[paragraphs IAS 40.79 (e)(i) – (iii)]</i>	Although Investment Properties (IP) are reflected at cost, procedures should be put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS. Appoint professional valuers to value all investment properties. Obtain the significant methods and assumptions applied in determining the fair value of IP, including whether the determination of IP was supported by market evidence or was more heavily based on other factors because of the nature of the property and lack of comparable market data. (This info should be disclosed in the AFS to the note on IP). The details and qualification of the valuator should also be obtained for audit purposes.	C F Gerber	30/06/2009
Leases (IAS 17/AC 105)	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement.	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Leases (IAS17 /AC 105) by 30 June 2007.	Implemented	30/06/2007
Intangible Assets (IAS 38/AC 129)	The entire standard except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed	Classification and initial measurement of Intangible Assets not yet accounted for in terms of IAS 38: 1) All assets that meet the definition of an intangible asset and the recognition criteria for an asset should be identified by scrutinising the AR and capital purchases file/vouchers. 2) All intangible assets identified should be measured initially at their cost price. Examples of items which may meet the definition of an intangible asset in the municipal environment are: The cost of the General Valuation Roll. A license fee for operating a tip site, where the fee grants to the municipality the right to operate the tip site for a period of longer than one year. Servitudes. 3) Necessary procedures should be put in place to ensure the proper accounting treatment of Intangible assets after initial recognition to deal with the accounting for subsequent expenditure, amortisation, review of useful lives of intangible assets, retirements and disposals of intangible assets and internally generated intangible assets. 4) The following adjustments will need to be made to the intangible assets currently reflected as PPE in the asset register: If any intangible assets are currently classified as part of PPE, then the full application of IAS 38 will lead to a reclassification of these items as intangible assets. This will result in a reduction in the carrying amount of PPE and an increase in intangible assets. If intangible assets have been incorrectly expensed in the past this can be regarded as a prior period error and should be corrected retrospectively by applying GRAP 3. This will lead to a restatement (increase) of the opening balance of the Accumulated Surplus Account as well as an increase in the Asset Value on the Statement of Financial Position of the Municipality.	Implemented	30/06/2007

APPENDIX G**SWARTLAND MUNICIPALITY****IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007**

Financial reporting	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Person	Estimated
Employee Benefits (IAS 19/AC 116)	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information. <i>[paragraphs 29, 48 – 119, 120A(c)-(q)]</i>	The Municipality has consulted with the Western Cape Provincial Treasury/National Treasury to deviate from the financial reporting standards (exemptions in terms of GN No 522 dated 29/06/2007) and have implemented the standard on Employee Benefits (IAS19 /AC 116) by 30 June 2007.	Implemented	30/06/2007
Revenue (GAMAP 9)	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i>	In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is <i>deferred</i> , for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest. The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.	C F Gerber	30/06/2009
Financial Instruments: Recognition and Measurement (IAS 39/AC 133)	Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]</i>	The municipality is of the opinion that it is, through its normal activities, complying with the requirements of the initial measurement of IAS 39. However in cases that might be identified where initial recognition is not done correctly, the following actions would be required. 1) Initial recognition: IAS 39 requires recognition of a financial asset or a financial liability when, and only when, the entity becomes a party to the contractual provisions of the instrument, subject to the following provisions in respect of regular way purchases. 2) Initial measurement: Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss. Action: Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. IAS 39 provides a hierarchy to be used in determining the fair value for a financial instrument which are the following: Quoted market prices in an active market are the best evidence of fair value and should be used, where they exist, to measure the financial instrument. If a market for a financial instrument is not active, an entity establishes fair value by using a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models. An acceptable valuation technique incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. If there is no active market for an equity instrument and the range of reasonable fair values is significant and these estimates cannot be made reliably, then an entity must measure the equity instrument at cost less impairment.	Implemented	30/06/2008

APPENDIX GSWARTLAND MUNICIPALITYIMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Person	Estimated
Non-current Assets held for Sale and Discontinued Operations (IFRS 5/AC142)	Classification, measurement and disclosure of non-current assets held for sale. [paragraphs 6 – 14, 15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42]	<ol style="list-style-type: none"> 1) Relevant staff members should be made fully aware of the requirements of IFRS 5. 2) Print-outs of the FAR per department must be made and distributed to the Heads of every department. The Heads of departments must scrutinise the FAR applicable to their department and identify assets that meet the criteria for non-current assets held for sale as set out by IFRS 5.6 to .11. 3) The Heads of departments must return the departmental FAR, to the CFO and indicate the assets that meet the above mentioned criteria. 4) CFO must ensure that every department returned the departmental-FAR and ensure that it has been signed-off as proof that it has been reviewed. 5) Scrutinise the fixed asset votes in the GL after year-end up to the date when the financial statements are prepared, to identify assets that are sold after year-end and meet the IFRS 5.6 to 11 requirements at year end. Ensure that these assets are classified as Non-current assets held for sale in the Financial Statements for the year under review. 6) Measure and disclose the Non Current Assets held for Sale in accordance with IFRS 5 requirements. 7) The following information should be disclosed in the notes in the period in which a non-current asset (or disposal group) has been either classified as held for sale or sold: <ul style="list-style-type: none"> a description of the non-current asset (or disposal group); a description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal; the gain or loss recognised on initial or subsequent write down or reversal and if not separately presented on the face of the Statement of Financial performance, the caption in the Statement of Financial Performance that includes that gain or loss. 	Implemented	30/06/2008
Financial Instruments: Disclosures (IFRS 7/AC 144)	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	<ol style="list-style-type: none"> 1) Financial instruments should be grouped into classes of similar instruments and, when disclosures are required, make disclosures by class. The two main categories of disclosures are: <ul style="list-style-type: none"> Information about the significance of financial instruments. Information about the nature and extent of risks arising from financial instruments. 2) Action: The following disclosures for each of the categories should be included: <p>Balance sheet:</p> <ul style="list-style-type: none"> Financial assets measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition. Held-to-maturity investments. Loans and receivables. Available-for-sale assets. Financial liabilities at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition. Financial liabilities measured at amortised cost. 	Implemented	30/06/2008

APPENDIX G**SWARTLAND MUNICIPALITY****IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007**

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Financial Instruments: Disclosures (IFRS 7/AC 144)			<p><u>Income statement:</u></p> <p>Items of income, expense, gains, and losses, with separate disclosure of gains and losses from financial assets measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition, held-to-maturity investments, loans and receivables, available-for-sale assets, financial liabilities measured at fair value through profit and loss, showing separately those held for trading and those designated at initial recognition and financial liabilities measured at amortised cost.</p> <p>Interest income and interest expense for those financial instruments that are not measured at fair value through profit and loss.</p> <p>Fee income and expense</p> <p>Amount of impairment losses on financial assets</p> <p>Interest income on impairment financial assets</p> <p><u>Other disclosures:</u></p> <p>Accounting policies for financial instruments.</p> <p>Note that disclosure of fair values is not required when the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables, or for instruments whose fair value cannot be measured reliably.</p>		
Construction Contracts (IAS 11/AC 109)	Entire Standard	1)	The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities.	Not Applicable	<i>Not Applicable</i>
		2)	No actions for the application of IAS 11 are therefore necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.		
Business Combinations (IFRS 3/AC 140)	Entire Standard	1)	The municipality has not undertaken any business combinations.	Not Applicable	<i>Not Applicable</i>
		2)	No actions are therefore at this stage required to implement the standard.		
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)	Entire Standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42 – 46 of GAMAP 9	1)	Currently all conditional capital grants received for the purchase of PPE are accounted for in terms of the NT GRAP implementation guidelines dated June 2005 and also GAMAP 9.42 to 46.	Implemented	30/06/2008
		2)	On receipt of a conditional capital government grant the amount is banked and reflected as a current liability called Unspent Conditional Grants and Receipts. Once the amount is spent in accordance with the grant conditions a transfer is made from the current liability to the Statement of Financial Performance equal to the amount that has been spent during the financial year in accordance with the grant conditions. Thereafter an equal amount is transferred from the Accumulated Surplus to the Government Grant Reserve (GGR) on the statement of Changes in Net Assets. Annually an amount is transferred from this reserve to accumulated surplus equal to the amount of depreciation on assets funded from government grants. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).		
		3)	According to IAS 20 , Government grants used to finance assets, should be recognised either as a reduction in the cost of the asset or deferred income that will be amortised as the related asset is depreciated.		

APPENDIX GSWARTLAND MUNICIPALITYIMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007

Financial reporting	Extent of exemption from standard		Milestones to be achieved to comply with exemption	Person	Estimated
Accounting for Government Grants and disclosure of Government Assistance (IAS 20/AC 134)		4)	Therefore a decision should be made by Management as to which one of the alternatives prescribed by IAS 20 should be implemented. Option 1 - If the grants will be recognised as a reduction in the cost of assets , the current Government Grants Reserve, should be debited and Assets credited in order to correct the AFS. The carrying value of assets on the FAR should be adjusted in order to correct the future depreciation charges on these assets. Option 2 – If the grants will be recorded as deferred income when it is utilised , the Government Grant Reserve should be debited and Deferred Income credited. Furthermore, as the related asset is depreciated, the deferred income will be debited and revenue credited. In this scenario the revenue recorded will be equal to the depreciation charge related to asset financed from Government Grants.		
		5)	The implementation of IAS 20 will be regarded as a change in accounting policy and a disclosure note as is required by GRAP 3 should be prepared.		
General – Assets	Currently the asset management policy only refers to investment properties which are to be revalued annually (which is not the case as investment properties are currently measured using the cost model).		A policy on Investment Properties should be developed for the municipality that adheres to and includes the principles of IAS 40. The policy should include the criteria that should be used to distinguish investment properties from owner-occupied property and from property held for sale in the ordinary course of business.	C F Gerber	30/06/2009
General – Assets	Infrastructure assets - no documented methodology exists on how to calculate the book values of infrastructure assets that currently have global amounts in the asset register.	1)	A detailed review of the asset register has been performed to identify Infrastructural assets that are recorded at global amounts.	C F Gerber	30/06/2009
		2)	Consultants have been appointed to unbundle/itemise Infrastructure assets.		
		3)	The process of allocating historical cost to individual infrastructure assets will commence once assets have been itemized. This can be done by identifying and scrutinizing the relevant invoices on which expenses of the past has been incurred. Through this exercise the global amounts is unpacked and allocated to the individually significant assets within an Infrastructural asset. Assumptions will have to be made and implemented during this phase.		
		4)	alternative method of establishing the cost of the individual assets should be considered. An available alternative is to value the individual infrastructural assets on the depreciated replacement cost method. Under this approach, the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.		
		5)	After the Infrastructural assets have been divided into significant individual assets, the remaining life expectancy for these assets estimated and the costs allocated to individual assets, the backlog depreciation and annual depreciation can be calculated.		
		6)	The General/Ledger account for Infrastructural assets should be adjusted to align the accounts with the Asset Register after the steps above have been concluded.		
		7)	The Annual Financial Statements as at 30 June 2008 should be corrected in accordance with the requirements of GRAP 3.		

APPENDIX G**SWARTLAND MUNICIPALITY****IMPLEMENTATION PLAN IN TERMS OF GENERAL NOTICE 522 OF 2007**

Financial reporting	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Person	Estimated
SAICA circular 9/2006	The requirements of SAICA circular 9/06 may not have been considered by the municipality when recognising revenue income and costs of inventories.	<p>In terms of SAICA Circular 9/2006, settlement discounts receivable have to be estimated at date of purchase and the cost of the Inventory purchased should be reduced accordingly.</p> <ol style="list-style-type: none"> 1) A list of all purchases of inventories should be prepared, where the purchase has been paid for cash on delivery, and where cash discounts have been received. 2) The municipality must ensure that these cash discounts have been deducted from the cost price of the inventories concerned. 3) If these cash discounts have been accounted for as other income ensure that the other income is reversed to cost of inventories in respect of inventories that are still on hand and to inventories expensed in respect of inventories that have been sold or utilised by the municipality. 4) A list should be prepared of all settlement discounts received for prompt settlement of creditors in respect of inventories purchased. 5) The municipality must ensure that these settlement discounts have been deducted from the cost price of the inventories concerned. 6) If these settlement discounts have been accounted for as other income ensure that the other income is reversed to cost of inventories in respect of inventories that are still on hand and to inventories expensed in respect of inventories that have been sold or utilised by the municipality. 	CF Gerber	30/06/2009

APPENDIX H**SWARTLAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

The Minister of Finance has, in terms of General notice 522 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. In the table set out below, the exemptions offered have been listed; together with an indication of the process that the municipality will follow regarding plans to implement the exemptions. Furthermore, the extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards has also been stated in the table.

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GRAP 03	Accounting policies, changes in accounting estimates and errors	<p>Identification and impact of GRAP standards that have been issued but are not yet effective (GRAP 3.30 – 31). A list of these standards is as follows:</p> <p>GRAP 4 The Effects of Changes in Foreign Exchange Rates GRAP 5 Borrowing Costs GRAP 6 Consolidated AFS GRAP 7 Associates GRAP 8 JV's GRAP 9 Revenue GRAP 10 Financial Reporting in Hyperinflationary Economies GRAP 11 Construction Contracts GRAP 12 Inventories GRAP 13 Leases</p> <p>GRAP 14 Events After the Reporting Date GRAP 16 IP GRAP 17 PPE GRAP 18 Segment Reporting GRAP 19 Provisions, Contingent Liabilities and Contingent Assets GRAP 100 Non Current assets held for sale GRAP 101 Agriculture GRAP 102 Intangible Assets</p>	N	<p>The following GRAP standards have been issued but are not yet effective. The implementation plans that still need to be implemented to achieve full compliance with the standards are set out below.</p> <p>GRAP 4,6,7,8,9,12,17,19 Currently the municipality adheres to the requirements of the comparable GAMAP standards. Determine the difference between the applicable accounting treatment and disclosure requirements of the GAMAP versus the GRAP standards and make any necessary adjustments to the AFS.</p> <p>GRAP 5 Borrowing Costs. Determine the applicable accounting treatment and disclosure requirements of GRAP 5 for the municipality.</p> <p>GRAP 10 and 11. The municipality does not have these types of transactions.</p> <p>GRAP 13, 14, 16, 18, 100, 101 and 102. The municipality adheres to the requirements of the comparable GAAP standards except for the exemptions adopted as set out below per standard.</p>	<p>A note setting out the GRAP standards having been issued but is not yet effective, and have not been applied at the date of authorisation of the financial statements is included in the notes to the financial statements.</p> <p>A portion of interest cost on interest bearing borrowings, in respect of assets that take a substantial period of time for construction and before they are ready for use, may be capitalised to the relevant asset and will result in interest cost in the Statement of Financial Performance reducing and the cost of the asset increasing.</p> <p>No adjustment required.</p> <p>See adjustments required as per relevant sections of this document set out below.</p>
		Changes in accounting policies (GRAP 3.14, 19)	N	No action plans are required. Where it is practicable to do so, all changes in accounting policy are dealt with by the municipality retrospectively and disclosed as such in accordance with the requirements of GRAP 3.	No adjustments to the AFS are required.

APPENDIX H**SWARTLAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
GAMAP 09	Revenue	Initial measurement of fair value; discounting all future receipts using an imputed rate of return (GAMAP 9.12 and SAICA circular 9/06)	Y	<p>In terms of GAMAP 9 revenue is measured at the fair value of the consideration received. In most cases the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. Where the inflow of cash or cash equivalents is deferred, for example where the entity provides an interest free credit period to the purchaser the fair value of the revenue must then be determined by discounting all future receipts by using an imputed rate of interest.</p> <p>The municipality does not envisage entering into transactions where an interest free credit period is provided to the purchaser of services or goods from the municipality and therefore it is highly unlikely that the municipality will be faced with this type of transaction.</p>	No adjustments to the AFS are required.
GAMAP 12	Inventories	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP17.	N	The municipality accounts for its immovable capital assets inventory in accordance with the accounting treatment and disclosure requirements as set out in GAMAP 12.	No adjustments to the AFS are required.
		The entire standard as far as it relates to water stock that was not purchased by the municipality.	N	The municipality accounts for its water inventories in accordance with the accounting treatment and disclosure requirements as set out in GAMAP 12.	No adjustments to the AFS are required.
GAMAP 17	PPE	Review of depreciation method applied to PPE recognised in the annual financial statements(GAMAP 17.62, 77)	Y	<ol style="list-style-type: none"> 1) CFO to issue a memo to all departmental managers at year end to request them to ensure that the depreciation method used to depreciate all items of PPE as reflected as being under their control per the FAR is realistic. 2) CFO to review the depreciation method used to depreciate different classes of assets annually to assess its applicability for each class of asset. 3) Departmental managers should inform the manager responsible for assets of items of PPE with remaining useful lives shorter or longer than those reflected on the FAR at year end. 4) Pass necessary accounting entries and also do necessary disclosure of the change in estimate. 	<p>The following adjustments will need to be made to the AFS if the review of depreciation methods of PPE results in a change in estimate.</p> <ol style="list-style-type: none"> 1) The depreciation charge for the year in which the change in estimate takes place as well as for all other years of the remaining useful life of the asset will be adjusted. This change in accounting treatment will therefore take place prospectively. 2) A note on the change in estimate will be disclosed if the change in estimate is material.

APPENDIX H**SWARTLAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
		Impairment of non-cash generating assets (GAMAP 17.64 – 69, 75(e)(v) - (vi))	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <p>Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</p> <p>Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</p> <p>Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</p> <p>Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</p> <p>Ø are not performing according to their specifications or according to industry accepted norms.</p> <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <p>1) The carrying amount of PPE will be reduced.</p> <p>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will</p> <p>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</p> <p>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</p> <p>5) All disclosure requirements as required by IPSAS 21.</p>
		Impairment of cash generating assets (GAMAP 17.63, 75(e)(v) – (vi))	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <p>Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</p> <p>Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</p> <p>Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <p>1) The carrying amount of PPE will be reduced.</p> <p>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</p> <p>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</p>

APPENDIX H**SWARTLAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
				<p>Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</p> <p>Ø are not performing according to their specifications or according to industry accepted norms.</p> <p>Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	<p>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</p> <p>5) All disclosure requirements as required by IAS 36.</p>
IAS 11 AC 109	Construction contracts	Entire standard	N	1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.	1) The municipality does not enter into construction contracts, where assets are constructed with the purpose of realising a profit on construction activities. Therefore it is estimated that the application of IAS 11 by the municipality will not be necessary, as the municipality does not enter into transactions accounted for in terms of IAS 11.
IAS 14 AC 115	Segment reporting	Entire standard	Y	<p>1) Obtain an understanding of the definitions of business segments and geographical segments as set out in IAS 14.</p> <p>2) Determine the business and geographical segments of the municipality.</p> <p>3) Decide on the primary and secondary reporting formats for the entity. Therefore a decision must be made whether business is primary and geographical secondary or vice versa.</p> <p>4) Change the chart of accounts and accounting software package to ensure that the segmental revenue, expenses, results, assets and liabilities can be accounted for and presented in the AFS according to the primary and secondary reporting formats.</p>	<p>The AFS will have to be adjusted to ensure that the disclosure requirements of IAS 14.51 to .67 relating to segment information are met.</p> <p>The primary reporting format requires inter alia, disclosure of:</p> <p>1) Segment revenue for every reportable segment.</p> <p>2) Segment results for every reportable segment.</p> <p>3) Segment assets for every reportable segment.</p> <p>4) The total cost incurred during the period to acquire reportable segment long term assets.</p>

APPENDIX H**SWARTLAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
					<p>5) A reconciliation between the information disclosed for reportable segments and the information in the entity's own financial statements.</p> <p>Based on the decision of the entity whether business or geographical segments are the primary reporting format, the secondary reporting format requirements as set out in IAS 14 will also need to be disclosed in the AFS.</p>
IAS17 AC 105	Leases	Recognising operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement (IAS 17.33 – 34 and 50 – 51 and SAICA circular 12/06.8 – 11)	N	The municipality accounts for its leases in accordance with the accounting treatment and disclosure requirements as set out in IAS 17.	No adjustments to the AFS are required.
IAS 19 (AC 116)	Employee benefits	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and defined benefit obligation disclosed by narrative information (IAS 19.29, 48 – 119 and 120A(c) – (q))	N	The municipality accounts for its defined benefit plans in accordance with the accounting treatment and disclosure requirements for the accounting for defined benefit plans as set out in IAS 19.	No adjustments to the AFS are required as the municipality already complies with the requirements of IAS 19.
IAS 20	Accounting for government grants	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, 17.25 and 9.42 – 46.	N	The municipality accounts for its Government grants in accordance with the accounting treatment and disclosure requirements as set out in IAS 20.	No adjustments to the AFS are required.
IAS 36 (AC 128)	Impairment of assets	Entire standard	Y	<p>1) Identify items of PPE that may have suffered impairment losses at year end by issuing a memo to all departments requesting them to identify assets that:</p> <p>Ø Are in a state of permanent damage at year end (no impairment losses will be recognised in respect of assets damaged that will be repaired after year end);</p> <p>Ø Are stolen at year end (impairment loss is recorded equal to the carrying amount of stolen assets at the date of the theft);</p> <p>Ø Are technologically obsolete at year end (this can be facilitated by supplying departments with a FAR printout pertaining to major assets showing the remaining useful lives of assets - the departments can then assess and indicate cases where the assessed remaining useful life is shorter than the remaining useful life on the printout);</p> <p>Ø Have remained idle for a considerable period either prior to them being put into use at year end or during their useful life.</p>	<p>The following adjustments will need to be made to the AFS if impairment losses are calculated and disclosed for the first time:</p> <p>1) The carrying amount of PPE will be reduced.</p> <p>2) The reconciliation between the opening and closing balance of the carrying amount of PPE will have to reflect impairment losses.</p> <p>3) The accounting policy relating to PPE will have to be amended to indicate how the entity deals with and discloses impairment losses.</p> <p>4) The impairment loss itself should be reflected in the notes to the Statement of Financial Performance, if material.</p>

APPENDIX H**SWARTLAND MUNICIPALITY****ADJUSTMENTS TO ACHIEVE COMPLIANCE WITH THE EXEMPTED STANDARDS IN TERMS OF GENERAL NOTICE 522 OF 2007**

Std. no.	Standard title	GRAP, GAMAP and/or SA GAAP requirement(s) exempted in terms of General notice 522 of 2007.	Exemption Adopted Y/N	Description of implementation plans that still need to be implemented to achieve full compliance with exempted standards	Extent to which information in the AFS would need to be adjusted to achieve compliance with the exempted standards
				<p>Ø are not performing according to their specifications or according to industry accepted norms.</p> <p>2) Calculate and record impairment losses by determining the difference between the asset's carrying amount and its recoverable (service) amount where the recoverable amount is less than the asset's carrying amount.</p>	5) All disclosure requirements as required by IAS 36.
IAS 38 (AC 129)	Intangible assets	The entire standard except for the recognition, measurement and disclosure of computer software and website costs (SIC 32) and all other costs are expensed	N	The municipality accounts for its Intangible assets in accordance with the accounting treatment and disclosure requirements as set out in IAS 38.	No adjustments to the AFS are required.
IAS 39 (AC 133)	Financial instruments: recognition and measurement	Initially measuring financial assets and liabilities at fair value (IAS 39.43, AG79, AG64 – AG65 and SAICA circular 9/06)	N	All the applicable sections regarding the accounting recognition and measurement requirements relating to Financial Instruments as set out in IAS 39 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the requirements of IAS39.
IAS 40 (AC 135)	Investment property	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	N	The municipality accounts for its Investment property in accordance with the accounting treatment and disclosure requirements as set out in IAS 40.	No adjustments to the AFS are required.
		Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard (IAS 40.79(e)(i) – (iii))	Y	1) Ensure that, even if IP is reflected at cost procedures are put in place to obtain the Fair Value of IP at each Balance Sheet date for inclusion in the notes to the AFS.	1) The disclosure notes relating to IP would provide an indication of the Fair Value of IP which is carried at cost price less accumulated depreciation on the face of the Statement of Financial Position.
IFRS 3 (AC 140)	Business combinations	Entire standard	N	<p>1) It is highly likely that the most relevant section of IAS 40 to the municipality is the accounting treatment of goodwill.</p> <p>2) Goodwill is measured and accounted for by the municipality in accordance with the requirements of IFRS 3.</p>	1) No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 3.
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations	Classification, measurement and disclosure of non-current assets held for sale (IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and 38 – 42)	N	The municipality accounts for its Non-current assets held-for-sale in accordance with the accounting treatment and disclosure requirements as set out in IFRS 5.	No adjustments to the AFS are required.
IFRS 7 (AC 144)	Financial instruments: disclosures	Entire standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	N	All the applicable sections regarding the disclosure requirements relating to Financial Instruments as set out in IFRS 7 are adhered to by the municipality.	No adjustments will need to be made to the AFS as the municipality already fully complies with the relevant requirements of IFRS 7.