

Metsimaholo Local Municipality

Annual Financial Statements for the year ended June 30, 2010

General Information

Members of the Executive Mayoral Committee

Executive Mayor	BT Mahklaku
Speaker	S Z Matena
Mayco	NJ Kubekha LS Lempe RJ Mabefu KJ Makhoba TL Soetsang DN Motloung NM Mtimkulu

Members of Local Municipality

Councillors	FC Coetzer	HJ Moolman
	J du Plessis	ZP Mona
	T du Toit	MM Nemalalangwa
	JJ Grobbelaar	TN Mosai
	DJ Keyser	DM Oswald
	MW Khonto	MR Raboroko
	JM Lelahla	AN Radebe
	NM Mafika	PE Ramagole
	M Mashinini	SI Ramathesele
	LS Masuku	SS Sejake
	MJ Matiseng	LS Semonyo
	TJ Mofokeng	TK Mabasa
	D E Mokoena	MC van der Walt
	S Moreki	S Holt

Grading of Local Authority

Metsimaholo Local Municipality is a Grade 9 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998

Metsimaholo Local Municipality

Annual Financial Statements for the year ended June 30, 2010

General Information

Registered office	Civic Centre Fichard Street Sasolburg PO BOX 60 1947
Postal address	PO Box 60 Sasolburg 1947
Tel:	(016) 973 8000
Fax:	(016) 976 3030
Bankers	ABSA Bank
Auditors	The Auditor General: Free State
Chief Financial Officer Municipal Manager	ME Mokoena XW Msweli
Attorneys	Mollenaar & Griffiths Nkaiseng D

METSIMAHOLO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended June 30,2010

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Accounting Officers' Responsibilities and Approval

The Accounting Officer is required by the Metsimaholo Local Municipality, a Grade 9 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is his responsibility to ensure that the financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with Generally Recognised Accounting Practice (GRAP) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Accounting Officer acknowledge that he is ultimately responsible for the system of internal financial control established by the council and place considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the council sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring that the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Municipality is on identifying, assessing, managing and monitoring all known forms of risk across the Municipality. While operating risk cannot be fully eliminated, the Municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Officer has reviewed the Municipality's cash flow forecast for the year to June 30, 2010 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements. The financial statements have been examined by the Municipality's external auditors and their report is presented from page 4

The financial statements set out on pages 5 to 52, which have been prepared on the going concern basis, were approved by the Municipal Manager and Chief Financial Officer on August 31, 2010 and were signed on its behalf by:

XW Msweli

Ms M E Mokoena

Metsimaholo Local Municipality

Annual Financial Statements for the year ended June 30, 2010

Statement of Financial Position on 30 June 2010

Figures in Rand

	Note(s)	2010	2009
Assets			
Non-Current Assets			
Property, plant and equipment	8	308 904 374	302 673 809
Intangible assets	9	11 328	34 437
Long-term receivables	5	8 956	289 191
Investments	10	7 737 847	6 996 447
		316 662 505	309 993 884
Current Assets			
Inventories	2	2 060 173	2 311 308
Current portion of long-term receivables	5	130 036	49 800
Investments Held to Maturity	6	29 499 366	8 042 748
Trade and other receivables from exchange transactions	3	54 209 472	50 949 085
Other receivables from non-exchange transactions	4	10 126 573	13 003 069
Cash and cash equivalents	7	5 315	6 325 261
		96 030 935	80 681 271
Total Assets		412 693 440	390 675 155
Net assets and Liabilities			
Net assets			
Net surplus		276 100 882	275 321 785
Liabilities			
Non-Current Liabilities			
Long-term liabilities	14	0	1 217 666
Finance lease obligation	15	4 534 873	11 038 354
Provision Employee Benefit	46	18 097 600	16 803 798
		22 632 473	29 059 818
Current Liabilities			
Current portion of long-term liabilities	14	1 229 736	1 347 077
Finance lease obligation	15	6 501 780	5 380 057
Trade and other payables	12	69 132 759	59 717 605
Consumer deposits	11	8 340 711	7 394 644
Unspent conditional grants and receipts	13	15 567 421	5 887 023
Vat payable		7 879 310	6 567 146
Bank overdraft	7	5 308 368	0
		113 960 085	86 293 552
Total Liabilities		136 592 558	115 353 370
Total Net Assets and Liabilities		412 693 440	390 675 155

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Metsimaholo Local Municipality

Annual Financial Statements for the year ended June 30, 2010

Statement of financial performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Property rates	18	77 589 112	65 199 753
Services charges	19	253 475 913	201 519 341
Government grants and subsidies	17	92 202 361	71 285 180
Fines		6 285	338 203
Rental income		4 135 741	2 625 710
Other income	20	10 305 744	14 014 276
Gains on disposal of property, plant and equipment		695 286	4 251 191
		438 410 441	359 233 654
Other income		19 805 984	22 297 762
Expenses			
Employee costs	21	(121 581 372)	(105 160 690)
Remuneration of Councillors	22	(9 310 007)	(8 424 341)
Bad debts		(73 033 020)	(271 075)
Bulk purchases	24	(133 257 088)	(109 822 045)
Depreciation, amortisation and impairments		(25 717 819)	(35 640 030)
Contracted services		(7 816 159)	(6 539 690)
Increase in provisions		(2 236 562)	(1 494 531)
Income Foregone		(6 612 348)	(3 384 207)
Repairs and maintenance		(17 350 309)	(15 768 442)
Grants and subsidies paid	25	(4 996 260)	(4 224 152)
General Expenditure	26	(50 482 699)	(78 611 359)
Loss with disposal of property, plant, equipment, stock		(290 473)	(552 341)
		(452 684 116)	(369 892 903)
Surplus before finance cost for the period		5 532 310	11 638 513
Finance costs	23	(4 753 213)	(4 999 555)
Surplus/(Deficit) for the period		779 097	6 638 958

Metsimaholo Local Municipality

Annual Financial Statements for the year ended June 30, 2010

Statement of Changes in Net Assets

Figures in Rand

	Capital Replacement Reserve CRR	Housing Development Fund	Capital Reserve	Total reserves	Accumulated surplus/(deficit)	Total Net Assets
Opening balance as previously reported					276 742 030	276 742 030
Adjustments					-	-
Prior period adjustments					(18 098 741)	(18 098 741)
Balance at July 1, 2008 as restated					258 643 289	258 643 289
Changes in Net Assets						
Property, plant and equipment purchased						
Expenditure						
Transfer						
Sub total					258 643 289	258 643 289
Loss for the year					6 638 958	6 638 958
Total recognised income and expenses for the year					265 282 247	265 282 247
Transfers to accumulated surplus					10 039 538	10 039 538
Total changes					275 321 785	275 321 785
Balance at July 1, 2009 as restated					275 321 785	275 321 785
Changes in Net Assets defer						
(Loss)/Surplus for the year					779 097	779 097
Transfers to accumulated surplus						
Total changes					779 097	779 097
Balance at June 30, 2010					276 100 882	276 100 882
Note(s)						

Metsimaholo Local Municipality

Annual Financial Statements for the year ended June 30, 2010

Cash Flow Statement

Figures in Rand

	Note(s)	2010	2009
Cash flows from operating activities			
Cash receipts from customers		438 026 550	413 343 117
Cash paid to suppliers and employees		(440 724 806)	(408 139 004)
Cash from operating activities	27	(2 698 256)	5 204 113
Interest income		19 805 020	21 673 141
Finance costs		(4 753 213)	(4 999 555)
Net cash from operating activities		12 353 551	21 877 699
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(32 688 064)	(19 112 886)
Proceeds from sale of Property, Plant and Equipment	8	-	
Sale of financial assets		199 999	558 753
Sale of investments		(741 400)	2 055 622
Sale of other receivables from non-exchange transactions		2 876 376	6 297 690
Net cash from investing activities		(30 353 089)	(10 200 821)
Cash flows from financing activities			
Repayment of long-term liabilities		(1 335 007)	(4 050 364)
Movement in consumer deposits		946 067	251 465
Movement in unspent conditional grants and receipts		9 680 398	5 246 220
Finance lease payments		(5 381 758)	(4 151 845)
Net cash from financing activities		3 909 700	(2 704 524)
Total cash movement for the year		(14 089 838)	8 972 257
Cash at the beginning of the year		6 325 261	(2 647 093)
Total cash at end of the year	7&28	(5 550 282)	6 325 164

Accounting Policies

1. Basis of preparation

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

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

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

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

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

The standards included in the GRAP reporting framework, as determined in Directive 5 issued by the Accounting Standards Board, are summarised as follows:

Standard	Title of Standard
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
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 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets
IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

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

Standard	Details of amendment and anticipated impact thereof	Annual periods beginning on or after
GRAP 18 - Segment Reporting	New standard of GRAP dealing with presentation and disclosure requirements in respect of segment reporting. Will require significant new disclosures	To be determined by the Minister of Finance (issued March 2005)
GRAP 21 - Impairment of Non-cash-generating Assets	New standard of GRAP dealing with the requirements around determining impairments of non-cash generating assets	To be determined by the Minister of Finance (issued March 2009)
GRAP 23 - Revenue from Non-exchange transactions	New standard of GRAP dealing with revenue from non-exchange transactions, including grant income, levies and taxes. This is likely to change the way that grants are accounted as the new standard eliminates the matching principal and focuses only on the conditions as a factor for determining the recognition of grant revenue.	To be determined by the Minister of Finance (issued February 2008)
GRAP 24 - Presentation of Budget Information in the Financial Statements	New standard of GRAP dealing with the presentation and disclosure of budget information as required by GRAP 1. The impact of this is currently being assessed by management as part of the work on assets.	To be determined by the Minister of Finance (issued November 2007)
GRAP 25 Employee benefits	New GRAP25 not applicable for 2009/2010. IAS 19 and IFRIC 14 applicable	
GRAP 26 - Cash-generating Assets	New standard of GRAP dealing with the requirements assets. The impact of this is currently being assessed by management as part of the work on assets.	To be determined by the Minister of Finance
GRAP 103 - Heritage Assets	New standard of GRAP dealing with the recognition, subsequent measurement, presentation and disclosure of heritage assets. The impact of this is currently being assessed by management as part of the work on assets	To be determined by the Minister of Finance (issued July 2008)
GRAP 104 Financial Instruments	GRAP 104 not applicable for 2009/2010. IAS32, IAS39, IFRS7 and IFRIC 2 and 9 applicable	
Amendment to IFRS 3 - Business Combinations	Amendments to accounting for business combinations. The municipality has not entered into any business combinations. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.	1 July 2009
* Amendment to IFRS 7 - Financial Instruments: Disclosures	Presentation of finance costs The amendment to the Standard enhances disclosure of finance costs. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.	1 January 2009
* Amendment to IAS 19 - Employee Benefits	The amendment affects the following: Curtailments and negative past service cost Plan administration costs Replacement of terms "fall due" Guidance on contingent liabilities	1 January 2009
Amendment to IAS 32 - Financial Instruments: Presentation	Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. The entity does not hold any instruments that are subject to the revised classification provisions of the Standard. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.	1 January 2009

* Amendment to IAS 36 - Impairment of Assets	Disclosure of estimates used to determine recoverable amount. The amendment to the Standard enhances disclosure of estimates applied in determining the recoverable amount. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.	1 January 2009
* Amendment to IAS 36 - Impairment of Assets	Unit of accounting for goodwill impairment test. The municipality has not entered into any transactions that give rise to goodwill. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.	1 January 2010
* Amendment to IAS 39 - Financial Instruments: Recognition and Measurement	Reclassification of derivatives into or out of the classification of at fair value through profit or loss. Designating and documenting hedges at the segment level. Applicable effective interest rate on cessation of fair value hedge accounting. The municipality does not have any derivative financial instruments or hedge instruments and does not apply hedge accounting. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.	1 January 2009
*Amendment to IAS 39 - Financial Instruments: Recognition and Measurement	Clarifies two hedge accounting issues: Inflation in a financial hedged item. A one-sided risk in a hedged item. The municipality does not apply hedge accounting. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.	1 July 2009
* Amendment to IAS 39 - Financial Instruments: Recognition and Measurement	Treating loan prepayment penalties as closely related embedded derivatives Scope exemption for business combination contracts Cash flow hedge accounting The municipality is not subject to any loan repayment penalties and it does not apply hedge accounting, as it does not have any hedge instruments. As such it is anticipated that the amendment to the Standard will not have an impact on financial results of the municipality.	1 January 2010

Interpretation** Annual periods beginning on or after
1 July 2009

* IFRIC 9 - Reassessment of Embedded Derivatives		1 July 2009
IFRIC 12 - Service Concession Arrangements		1 January 2008
IFRIC 13 - Customer Loyalty Programmes		1 July 2008
IFRIC 14 - IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding requirements and their interaction		1 January 2008
IFRIC 15 - Agreements for the Construction of Real Estate		1 January 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation		1 October 2008
* IFRIC 16 - Hedges of a Net Investment in a Foreign Operation		1 July 2009
IFRIC 17 - Distribution of Non-cash Assets to Owners		1 July 2009

1.1 Significant judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Loans and receivables

The Municipality assesses its loans and receivables for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow-moving, damaged and obsolete inventory to write the inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down, if any, is included in the Statement of Financial Performance.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available -for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the company is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over -the counter derivatives) is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The fair value of financial instruments that are not traded in an active market (for example, over -the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment (i.e. carrying amount is less than recoverable amount) may have occurred, estimates are prepared of expected future cash flows for each group of assets. The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values.

Post employment benefits

The present value of the post employment obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post employment obligations. The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high -quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 32.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Useful lives and residual values

The municipality re-assess the useful lives and residual values of property, plant and equipment on an annual basis. In re-assessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

Presentation currency

The financial statements are presented in South African Rand, which is the functional currency of the municipality, and are rounded off to the nearest Rand.

Going concern

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

Comparative concern

Budget information in accordance with GRAP 1 and based on IPSAS 24, has been provided in an annexure to these financial statements and does not form part of the audited annual financial statements.

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

1.2 Property, plant and equipment

Property, plant and equipment is carried at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the municipality; and the cost of the item can be measured reliably.

Costs include costs (cash or cash price equivalent) incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. The cost of replacing or servicing an asset will only be included if the expenditure improves the condition of the asset beyond the most reasonably assessed standard of performance. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

An item of property, plant and equipment is eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gains or losses arising from the de-recognition thereof are recognised in surplus / deficit, in the period that it arises.

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. The residual value and the useful life of each asset are reviewed annually. Where these estimates differ from those previously assessed the change is recognised as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately over its estimated useful life. Those items of property, plant and equipment which are of such a nature that they are replaced as a whole and not in terms of component parts, are not broken down into significant components as the useful lives of the components are expected to approximate the useful lives of the items taken as a whole.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset. Depreciation is provided, using the straight line method, on all property, plant and equipment to write down their cost over their estimated useful lives to their estimated residual values. Where the residual value of an asset item is considered to be insignificant it is also considered to be immaterial in the calculation of the depreciable amount of those assets.

Depreciation is provided as follows:

Item	Average useful life
Roads	10 - 30 years
Electricity	20 - 30 years
Water	15 - 20 years
Sewerage	15 - 20 years
Housing	30 years
Buildings	30 years
Recreational facilities	20 - 30 years
Specialist vehicles	10 years
Other vehicles	3 - 20 years
Office equipment	3 - 5 years
Furniture and fittings	3 - 7 years
Bins and containers	5 - 10 years
Specialised plant and equipment	5 - 15 years
Other items of plant and equipment	2 - 5 years

The surpluses or deficits arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Donated assets and assets obtained at less than fair value are accounted for at fair value. Donated assets are recognised when either available for use or when the risks and rewards of ownership have transferred. The difference between the fair value and the cash consideration is accounted for using the accounting policy relating to the accounting of non-exchange revenue.

Land is not depreciated.

Depreciation commences when the assets are ready for their intended use.

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.

Non-current assets (or disposal group) held for sale

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

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

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

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

Impairment testing

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets.

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

1.3 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Subsequent measurement

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

Fair value determination

Fair value information for trade and other receivables and payables are determined as the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans to employees

These financial assets are classified as loans and receivables and are measured at fair value plus direct transaction costs upon initial recognition.

After initial recognition these loans are measured at amortised cost, using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

An impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the loan's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Trade and other receivables

Trade receivables classified as loans and receivables and are measured at initial recognition at fair value plus direct transaction costs. After initial recognition these receivables are measured at amortised cost, using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts..

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the receivable is impaired. Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the deficit is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other income in the Statement of Financial Performance.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Trade and other payables are classified as financial liabilities carried at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and are subject to an insignificant risk of changes in value. These are initially recorded at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents are classified as loans and receivables.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Bank overdraft and borrowings are classified as financial liabilities carried at amortised cost.

Other loans and receivables

Other financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs, and are subsequently carried at amortised cost less any accumulated impairment.

These financial assets are not quoted in an active market and have fixed or determinable payments.

Designated through profit and loss

These financial assets are measured at fair value.

Impairment

At reporting date, the Municipality determines whether there is any objective evidence that a financial asset or group of financial assets is impaired.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the deficit is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit deficits that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the deficit is recognised in surplus or deficit.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and is settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset to the financial asset that is impaired. Such impairment losses are not reversed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in net assets and there is objective evidence that the asset is impaired, the cumulative deficit that had been recognised directly in net assets shall be removed and recognised in surplus or deficit even though the financial asset has not been derecognised.

The amount of the cumulative deficit that is removed from equity and recognised in surplus or deficit are the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit.

1.4 Inventories

Initial recognition:.

Inventories are measured at the lower of cost and net realisable value, except where the paragraph mentioned below applies.

Where inventories are held for:

- consumption in the production process of goods to be distributed at no charge or for a nominal charge, these inventories are held at net realisable

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs

The following cost formulas are applied for every inventory class:

Inventory class:

Consumable stores
Water
Unsold houses

Measure

First-in-first-out
Weighted
First-in-first-out

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all deficits of inventories are recognised as an expense in the period the write-down or deficit occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

The basis of allocating cost to inventory items is the weighted average method.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables on the Statement of Financial Position at the commencement of the lease term. The finance lease receivable is measured at an amount equal to the net investment in the lease upon initial recognition.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Municipality as lessee

The following situations would normally individually or in combination lead to a lease being classified as a finance lease and have been considered by the municipality:

- lease transfers ownership of the asset to the lessee by the end to the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at inception of the lease, that the option will be exercised;
- the lease term is for the major part of the economic life of the asset even if title is not transferred
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the asset;
- the leased asset is of such a specialised nature that only the lessee can use them without major modification;
- if the lessee can cancel the lease, the lessor's deficits associated with the cancellation are born by the lessee;
- gains or deficits from the fluctuation in the fair value of the residual accrue to the lessee; and
- the lessee has the ability to continue the lease for a secondary period at a rent that is substantial lower than market rent.

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, at the commencement of the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

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.

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. The classification of the lease is determined using GRAP 13 Leases.

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed as a separate line item in the Statement of Financial Performance. Contingent rentals received / receivable are recognised in income in the period when they become due and are not included in the straight-line lease income.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred and are not included in the straight-line lease expense.

1.6 Intangible assets

Initial recognition

Metsimaholo Local Municipality classifies assets that are non-monetary without physical substance as intangible assets. When software is not an integral part of the related hardware, computer software is treated as an intangible asset; otherwise it is treated as property, plant and equipment.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the municipality; and
- the cost of the asset can be measured reliably.

Intangible assets are measured at cost upon initial recognition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. Amortisation commences when the asset is available for use and ceases at the earlier of the disposal of the asset or when the residual value of the asset is equal to or exceeds the carrying value of the asset.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

An item of intangible assets shall be eliminated from the statement of financial position on disposal or when the asset is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Gains or losses arising from the disposal are recognised in surplus / (deficit) for the period during which the asset is disposed.

The residual value and the useful life of each asset are reviewed annually.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 years

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a regular basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or deficit exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the Statement of Financial Performance over the expected average remaining service lives of participating employees. Actuarial gains or deficits within the corridor are not recognised.

Gains or deficits on the curtailment or settlement of a defined benefit plan are recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset.

The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the Statement of Financial Performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and deficits and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to un-recognised actuarial deficits, plus the present value of available refunds and reduction in future contributions to the plan. For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a regular basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to reporting date where the interim valuation is performed at an earlier date.

Multi-employer plans

A multi-employer plan is classified as either a defined benefit plan or a defined contribution plan. If the plan is a defined benefit plan, an actuarial valuation should be obtained. Normal defined benefit accounting would be applied to the proportionate share of the obligation and assets relating to the municipality. If actuaries are unable to provide the municipality with an actuarial valuation, the municipality accounts for the plan as if it were a defined contribution plan.

Medical Aid post employment benefits

The cost of the of employment medical benefits is determined using actuarial valuation.

The actuarial valuation involves making assumptions about discount rates, expected rates on return of assets, future salary increase, mortality rates and future medical aid increases. Due to the long term nature of these plans, such estimates are subject to a significant uncertainty.

The municipality has elected to recognise the actuarial gain and losses immediately, in full, in the profit and loss account

1.8 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

1.9 Investments Held to Maturity

All Sanlam investments are classified as held to maturity investments as all are non derivative financial assets with fixed or determinable payments and fixed maturity.

The municipality has the positive intention and ability to hold these policies to maturity.

1.10 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

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

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

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

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

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

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

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

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

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where the effect of time value of money is material, the amount of a provision shall be the present value of the expenditure expected to be required to settle the obligation.

The Municipality uses a pre-tax rate that reflects current market assessments of the time value of money and the risks for which future cash flow estimates have been adjusted.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating deficits.

If a municipality has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when the municipality:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

1.12 Revenue

Revenue from exchange transactions:

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

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

Revenue from non - exchange transactions:

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

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

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

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

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

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

Grants, transfers and donations:

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

1.13 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, unless the borrowing cost was incurred in relation to a qualifying asset in which case the borrowing cost is capitalized in the cost of such an asset.

1.14 Unauthorised expenditure

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

1.15 Irregular expenditure

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

1.16 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.

1.17 Investment in joint ventures

An investment in a joint venture is carried at fair value and classified as fair value through profit or loss.

Profits and losses resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The group's share of profits or losses, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interests in jointly controlled operations, the municipality recognises in its :

- the assets that it controls and the liabilities that it incurs; and

- the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

In respect of its interest in jointly controlled assets, the municipality recognises in its :

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

1.22 Going concern

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

1.23 Related parties

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. All national departments of government and state-controlled entities are regarded as related parties in accordance with Circular 4 of 2005: Guidance on the term "state controlled entities" in context of IAS 24 (AC 126) - Related Parties, issued by the South African Institute of Chartered Accountants. Other related party transactions are also disclosed in terms of the requirements of the accounting standard

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2 010

2 009

2. Inventories

Consumable stores	1 752 009	2 028 785
Unsold properties	51 657	51 657
Water reservoir	256 507	230 866
	2 060 173	2 311 308

The Municipality has recognised purchased water stock on hand on 30 June 2009. This amount has been estimated using water in reservoirs and water networks and the different purchase prices of water.

3. Trade and other receivables from exchange transactions

Trade and other receivables from exchange transactions	54 209 472	50 949 085
Service receivables		
Rates	59 236 600	45 489 658
Electricity	30 602 051	19 970 211
Water	196 953 192	177 817 073
Sewerage	21 006 360	15 454 723
Refuse	19 657 875	12 163 432
Housing rentals	-	61 805
Provision for bad debts	(273 246 607)	(220 007 817)
	54 209 472	50 949 085

Credit quality of service receivables

All of municipality's trade and other receivables have been reviewed for indicators of impairment. The municipality's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality. The municipality continuously monitors consumers, identified group, based on average past payment history and incorporates this information into its credit risk control. No external credit rating is performed.

Ageing

Trade receivables:

Rates

Current	5 614 717	4 459 826
1 - 30 days	3 511 085	2 603 476
31 - 60 days	2 247 218	1 514 436
61 - 90 days	47 863 580	1 200 458
91 - 120 days		1 168 555
120 + days		34 542 907
	59 236 600	45 489 658

Services (Electricity, Water, Sewerage and Refuse)

Current	37 455 473	18 332 129
1 - 30 days	42 309 328	12 599 390
31 - 60 days	7 147 989	12 736 376
61 - 90 days	181 306 689	11 816 300
91 - 120 days		19 275 485
120 + days		150 645 759
	268 219 479	225 405 439

Housing Rentals + 365 days

-	61 805
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Summary of receivables by customer classification 2010

	Consumers	Industrial / Commercial	National and Provincial Government
Current	15 646 218	26 484 744	613 853
1 - 30 days	37 867 243	7 447 332	505 838
31 - 60 days	6 658 276	2 469 121	267 810
61 - 90 days	191 577 184	35 217 814	2 700 646
91 - 120 days			
120+ days			
	251 748 921	71 619 011	4 088 147

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Summary of receivables by customer classification 2009

Current

1 - 30 days

31 - 60 days

61 - 90 days

91 - 120 days

120+ days

	2 010	2 009
Consumers	Industrial / Commercial	Provincial Government
14 540 027	8 112 299	142 629
11 180 302	3 882 951	139 613
11 116 038	1 747 626	1 387 148
11 286 512	1 588 635	141 394
18 854 463	1 442 183	147 394
154 477 638	27 267 570	3 502 480
221 454 980	44 041 264	5 460 658

Reconciliation of provision for impairment of trade and other receivables

Opening balance

Provision for impairment

Amounts written off as uncollectible

237 842 635

51 384 473

15 980 501 -

174 100 324

63 742 311

The ageing of amounts past due but not impaired is as follows:

Current

1 month past due

2 months past due

3 months past due

3 903 647

14 440 658

3 937 944

31 927 223

54 209 472

13 334 541

6 011 888

7 789 711

23 812 945

50 949 085

Trade and other receivables impaired

The ageing of these receivables are as follows:

Current

1 month past due

2 months past due

3 months past due

13 938 404

31 379 756

5 457 262

247 300 293

298 075 715

9 065 083

14 784 755

8 254 556

272 615 691

304 720 085

The maximum exposure to credit risk at the reporting date is the fair value of each class of consumers mentioned above.

The municipality does not hold any collateral as security.

None of these receivables were pledged as security.

4. Other receivables from non-exchange transactions

Sundry receivables - general

Input VAT / capital receivables

Provincial Administration - Ambulance Claim

Claimable: Deneysville

Other deposits

Rent Prepaid

8 028 063

1 171 409

-

315 979

611 115

7

10 126 573

10 432 324

1 479 795

203 670

313 995

573 276

9

13 003 069

5. Long-term receivables

Staff housing loans

The loans were discontinued, see section 164 of MFMA. The instances below happened before implementation of the MFMA.

The loan was granted to a staff member in 1984 at an interest rate of 5%.

The loan will be fully redeemed in 2014.

Car loans

The loan was granted to a staff member at 8.5% interest. The member has passed away. The balance is to be settled as part of the estate. A claim has been submitted to ABSA.

Housing selling scheme loans

Housing loans RDP

Loans are granted for the purchase of the land (stands).

11 465

127 527

-

-

138 992

14 048

49 800

238

274 905

338 991

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Non-current assets

	2 010	2 009
Staff housing loans	8 956	14 048
Car loans	-	-
Housing selling scheme loans	-	238
Housing loans RDP houses	-	274 905
	<u>8 956</u>	<u>289 191</u>

Current assets

Staff housing loans	2 509	
Car loans	127 527	49 800
	<u>130 036</u>	<u>49 800</u>
	<u>138 992</u>	<u>338 991</u>

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2010 and 2009, as all the financial assets were disposed of at their redemption date.

Consumer debtors made arrangements to repay the debt over a period exceeding 12 months.

Due to insufficient information available on the system, it is not practical to identify the debt portion repayable beyond 12 months.

An amount of R73.7 million was included in AFS note 3. These are amounts due for more than 90 days and were already impaired.

6. Investments Held to Maturity

30 day deposits	29 499 366	8 042 748
-----------------	------------	-----------

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 315	5 315
Bank balances		6 319 946
Bank overdraft	5 308 368	-
	<u>(5 303 053)</u>	<u>6 325 261</u>

Current assets	5 315	6 325 261
Current liabilities	5 308 368	-
	<u>(5 303 053)</u>	<u>6 325 261</u>

Guarantee: Eskom as electricity deposit

Guarantee: Post Office as post deposit

	990 000	990 000
	80 000	80 000
	<u>1 070 000</u>	<u>1 070 000</u>

Bank balances/(overdrafts) consist of:

Current Account (primary bank account)

ABSA [Acc no. 520 000 038]

Cash book balance at the beginning of year	-	-	6 319 849	(2 653 987)
Cash book balance at end of year			<u>5 308 368</u>	<u>6 121 603</u>
Bank balance at beginning of the year			<u>8 104 495</u>	<u>2 574 534</u>
Bank balance at end of year			<u>2 893 442</u>	<u>8 104 495</u>

Transmission Account

ABSA [Acc no. 520 000 062]

Cash book balance at beginning of year	-	-	-	-
Cash book balance at end of year	-	-	-	-
Bank statement balance at beginning of year	-	-	-	-
Bank statement balance at end of year	-	-	-	-
Total cash book balance at beginning of year			6 325 261	(2 653 987)
Total cash book balance at end of year			<u>(5 303 053)</u>	<u>6 325 261</u>

8. Property, plant and equipment

	2010			2 009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and Buildings	26 166 500	(7 872 478)	18 294 022	26 166 500	(6 854 086)	19 312 414
Infrastructure	358 351 946	(128 137 962)	230 213 984	335 171 013	(111 688 826)	223 482 187
Community	18 901 735	(5 497 677)	13 404 058	13 944 901	(4 646 800)	9 298 101
Heritage	110 050	206	110 256	180 420	206	180 626
Leasehold property	20 043 883	(14 001 661)	6 042 222	21 341 049	(10 903 294)	10 437 755
Other	42 163 017	(24 784 301)	17 378 716	40 775 309	(24 682 912)	16 092 397
Housing	27 104 302	(3 643 186)	23 461 116	27 104 302	(3 233 973)	23 870 329
Total	<u>492 841 433</u>	<u>(183 937 059)</u>	<u>308 904 374</u>	<u>464 683 494</u>	<u>(162 009 685)</u>	<u>302 673 809</u>

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2 010

2 009

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Write off	Depreciation	Total
Land and Buildings	19 312 414			(1 018 392)	18 294 022
Infrastructure	223 482 187	23 180 934		(16 449 137)	230 213 984
Community	9 298 101	4 956 833		(850 876)	13 404 058
Heritage	180 626		(70 370)	-	110 256
Housing	23 870 329			(409 213)	23 461 116
Assets held under finance lease agreement	10 437 755	0		(4 395 533)	6 042 222
Other	16 092 397	4 550 297	(13 181)	(3 250 797)	17 378 716
	302 673 809	32 688 064	(83 551)	(26 373 948)	308 904 374

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Depreciation	Total
Land and Buildings	20 335 021 -		(1 022 607)	19 312 414
Infrastructure	222 759 737	16 968 289	(16 245 839)	223 482 187
Community	9 387 461	526 317	(615 677)	9 298 101
Heritage	180 626 -	-	-	180 626
Housing	24 279 541 -		(409 212)	23 870 329
Assets held under finance lease	14 645 572	100 303	(4 308 120)	10 437 755
Other	18 173 912	1 695 451	(3 776 966)	16 092 397
	309 761 870	19 290 360	(26 378 421)	302 673 809

Also refer to Appendix B for additional analysis of property plant and equipment.

9. Intangible assets

2010

2 009

	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	1 453 411	(1 442 083)	11 328	1 817 522	(1 783 085)	34 437

Reconciliation of intangible assets - 2010

	Opening Balance	Additions	Write off	Depreciation	Total
Computer software	34 437		0	(23 109)	11 328

Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Depreciation	Total
Computer software	98 558		64 121	34 437

10. Investments

Listed Shares

Sanlam Ltd - Money market (2010: 668 479,35 units @ 100 cents; 2009:

548 898,76 units @ 100 cents)

Sanlam Ltd - Term annuity investment

Sanlam Ltd - Investment policies

Shares- fair value through profit and loss

(2010:46 109 shares@2286cents;2009 46 109shares@1728cents)

668 579

548 899

1 026 249

1 238 516

4 960 257

4 381 198

1 054 052

796 764

7 709 137

6 965 377

Council's valuation of unlisted investments

Other deposits (Collateral housing deposits)

28 710

31 070

Market value of listed investments

Sanlam Ltd

7 709 137

6 965 377

Allocation of external investments:

In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:

Repayment of fixed period external loans

6 654 985

6 168 613

6 654 985

6 168 613

Total Investments

7 737 847

6 996 447

11. Consumer deposits

Electricity and water

8 340 711

7 394 644

8 340 711

7 394 644

Guarantees in lieu of electricity and water deposits

45 300

45 300

45 300

45 300

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12. Trade and other payables

	2 010	2 009
Trade payables	25 086 193	21 689 919
Other payables	18 369 967	15 578 030
Payments received in advance	14 121 229	13 130 847
Accrued leave pay	8 926 485	7 024 842
Accrued bonus	2 628 885	2 293 967
	69 132 759	59 717 605

13. Unspent conditional grants and receipts

Conditional grants from other spheres		
Municipal Infrastructure Grant	3 639 101	2 369 641
Department of Minerals and Energy	10 682 983	2 773 850
District Municipality - Fezile Dabi	66 695	66 695
Financial Management Grant	-	-
Provincial Government	1 134 395	632 590
Department of Water Affairs and Forestry	-	-
	15 523 174	5 842 776

Other Conditional Receipts

SETA	1 186	1 186
Public Contribution - Sasol Chemical Industries	43 061	43 061
	44 247	44 247
	15 567 421	5 887 023

Department of Water Affairs and Forestry
The amount has been restated.

See Note 17 for reconciliation of grants from National/Provincial government.
These amounts are invested in a ring-fenced investment until utilised.

14. Long-term liabilities

Annuity loans	1 229 736	2 564 743
----------------------	-----------	-----------

The loans have been taken up to finance Infrastructure and the purchase of vehicles. The interest rate vary between 9.1% and 15.6%. The terms of the loans vary and will be redeemed at 30/4/2011.

Non-current liabilities

Long term liabilities	-	1 217 666
-----------------------	---	-----------

Current liabilities

Current portion long term liabilities	1 229 736	1 347 077
	1 229 736	2 564 743

15. Finance lease obligation

Minimum lease payments due

- within one year	7 509 389	7 113 240
- in second to fifth year inclusive	4 741 804	12 249 498
	12 251 193	19 362 738
less: future finance charges	(1 214 540)	(2 944 327)
Present value of minimum lease payments	11 036 653	16 418 411

Present value of minimum lease payments due

- within one year	6 501 780	5 380 057
- in second to fifth year inclusive	4 534 873	11 038 354
	11 036 653	16 418 411

Non-current liabilities	4 534 873	11 038 354
Current liabilities	6 501 780	5 380 057
	11 036 653	16 418 411

It is municipality policy to lease certain equipment under finance leases.

The average lease term is 2-5 years and the average effective borrowing rate is 11.91%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10%-15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

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16. Housing development fund**2 010****2 009****Housing development fund**

Unappropriated surplus

17 667 352

16 972 066

The housing development fund is represented by the following:

Investments

17 667 352

16 972 066

17. Government grants and subsidies

Equitable share

62 784 760

50 649 530

Financial Management Grant

750 000

671 984

Provincial Government

13 195 -

District Municipality: Fezile Dabi

88 525

Department Minerals & Energy

3 590 868

1 707 952

Department of Water Affairs and Forestry

1 227 000

1 518 105

Sasol Chemical Industries

-

Provincial Government

148 000

70 000

Provincial Government Municipal Infrastructure Grant

22 953 540

15 583 045

Municipal Systems Improvement Grant

735 000

746 239

92 202 363**71 035 380**

Equitable Share

62 784 760

50 649 530

In terms of section 214(1) of the Constitution (Act No. 108 of 1996), the grant is used to subsidise the provision of free basic services to all households (6kl water, 50 kWh electricity and basic sewer) and approved indigents, that receive R60,00 per month plus 4kl water, additional sewer and refuse.

Refer to note 13 for unspent conditional grants.

Financial Management Grant

Balance unspent at beginning of the year

-

171 984

Current year receipts

750 000

500 000

Conditions met - transferred to revenue

(750 000)

(671 984)

-

-

The Municipality received the Financial Management Grant from National Treasury. It is used for capacity building and assistance to financial services to improve service delivery.

Provincial Government

Current year receipts

148 000

Conditions met - transferred to revenue

(148 000)

-

Funds received from Provincial Government to assist with library function.

District Municipality: Fezile Dabi

Balance unspent at the beginning of the year

66 695

66 695

Current year receipts

88 525

Conditions met - transferred to revenue

(88 525)

66 695**66 695****Department of Minerals & Energy**

Balance unspent at beginning of the year

2 773 851

481 603

Current year receipts

11 500 000

4 000 000

Conditions met - transferred to revenue

(3 590 868)

(1 707 752)

10 682 983**2 773 851**

Installation of electricity in the Municipality's area, financed by the Department of Mineral & Energy.

Department of Water Affairs and Forestry

Current year receipts

1 227 000

1 518 105

Conditions met - transferred to revenue

(1 227 000)

(1 518 105)

-

-

Funds for waterworks at Deneysville restated.

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Provincial Government

Balance unspent at beginning of the year

Current year receipts

Conditions met - transferred to revenue

2 010	2 009
632 590	632 590
515 000	70 000
(13 195)	(70 000)
1 134 395	632 590

Funds for waterworks at laboratory.

Funds for development programs. Funds received from Housing award to purchase computers.

Sasol Chemical Industries

Balance unspent at beginning of the year

Current year receipts

Conditions met - transferred to revenue

43 061	43 061
-	-
-	-
43 061	43 061

Chairs Theatre (07/08).

Provincial Government Municipality Infrastructure Grant

Balance unspent at beginning of the year

Current year receipts

Conditions met - transferred to revenue

2 369 641	(931 314)
24 223 000	18 884 000
(22 953 540)	(15 583 045)
3 639 101	2 369 641

Funds received for installation of infrastructure.

Sector Education Training Authority Grant

Balance unspent at beginning of the year

1 186	1 186
1 186	1 186

The Municipality received funds from Sector Education Training Authority for excellence performance by human resources division.

Municipal Systems Improvement Grant

Current year receipts

Conditions met - transferred to revenue

735 000	746 239
(735 000)	(746 239)

To assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems.

Changes of levels in Government Grants

Based on the allocations set out in Division of Revenue Act (Act no 53 of 2000) no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

18. Property rates

Actual

Residential	48 130 299	49 861 607
Commercial	6 405 882	5 004 020
Light industries	6 612 676	371 040
Heavy Industries	13 032 273	9 793 158
Farm	3 407 982	
State	-	169 928
	77 589 112	65 199 753

Valuations

	R,000	R'000
Residential	9 641 502	9 840 372
Commercial	727 879	913 578
Light industries	449 407	327 477
Heavy industries	513 022	503 474
State	477 099	341 909
Municipality	370 037	114 232
Agriculture	627 290	591 794
Churches	90 262	77 937
Public benefit organisations/Service Infrastructure	60 638	59 655
Allocated ,unregister stands	1 624 733	1 989 749
	14 581 869	14 760 177

The option to tax private development and agricultural land was approved for 3 years ending June 2011, in line with the DPLG regulations issued in December 2007.

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Sasolburg / Zamdela**2 010****2 009**

Residential:

- Sasolburg	0.0054	cents per Rand
- Zamdela	0.0054	cents per Rand
Commercial	0.0108	cents per Rand
Light Industries	0.027	cents per Rand
Heavy Industries	0.027	cents per Rand
State	0.0108	cents per Rand

Deneysville/Refengkgotso/Phomolong

Residential:

Deneysville	0.0054	cents per Rand
Businesses	0.0108	cents per Rand
State	0.0108	cents per Rand
Refengkgotso	0.0054	cents per Rand

Oranjeville / Metsimaholo

Residential:

-Oranjeville	0.0054	cents per Rand
Businesses	0.0108	cents per Rand
Metsimaholo :		
Residential	0.0054	cents per Rand
Businesses	0.0108	cents per Rand
State Property	0.0108	cents per Rand

Farmland

Residential	0.00136	cents per Rand
Businesses	0.0027	cents per Rand
Industries	0.0067	cents per Rand
Private owned towns, Body Corporate,		
Sectional Titles	0.00136	cents per Rand
Mining	0.0067	cents per
Agricultural	0.00067	cents per Rand

19. Service charges

Sale of water	122 630 974	83 065 959
Sale of electricity	100 619 082	91 893 904
Refuse removal	16 514 235	14 223 153
Sewerage and sanitation charges	13 711 622	12 336 325
	253 475 913	201 519 341

20. Other income

Consists of the following material items:

Connection fees	1 657 804	1 778 228
Income - Legal costs	665 338	1 062 962
Other income	7 982 602	11 173 086
	10 305 744	14 014 276

21. Employee related costs

The following emoluments were paid to the directors during the year.

Total employee costs:

Salaries and wages	76 261 613	67 637 612
Council contributions - UIF, pension, medical, group Ins.	19 676 431	16 988 683
Travel, motor car, accommodation and subsistence allowance	6 442 069	5 584 896
Housing benefits and allowance	899 055	949 804
Overtime payments	11 415 396	8 723 850
Bonus	5 593 006	5 171 636
Contribution post retirement	1 293 802	104 209
	121 581 372	105 160 690

Remuneration of Municipal Manager

Annual remuneration	660 273	598 011
Performance and other bonuses	-	47 450
Car allowance	195 739	194 905
Contributions - UIF,pension, medical, group insurance.	6 515	18 134
Travel, motor car, accommodation and subsistence allowance	-	60 982
Other remuneration	289 629	27 439
	1 152 156	946 921

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Remuneration of Chief Financial Officer

	2 010	2 009
Annual remuneration	549 357	476 168
Car allowance	220 794	230 116
Contributions - UIF, pension, medical, group insurance.	-	112
Travel, motor car, accommodation and subsistence allowance	-	-
Other remuneration	31 828	31 828
	801 979	738 224

Remuneration of Directors

	2010	Technical services	Corporate Services	Social Services	Economic Development
Annual remuneration		452 425	537 358	445 952	315 490
Performance and other bonuses		0	0	-	-
Travel, motor car, accommodation and subsistence allowance		1 490		-	
Car allowance		114 258	212 989	134 329	55 422
Contributions - UIF, pension, medical, group insurance		1 055	0	76 733	-
Other		63 333	43 827	205 223	13 957
		632 561	794 174	862 237	384 869

	2009	Technical services	Corporate Services	Social Services	Economic Development
Annual remuneration		266 293	462 006	359 224	516 907
Performance and other bonuses		22 191 -	-	-	-
Travel, motor car, accommodation and subsistence allowance		33 622	53 716	124 192	54 481
Car allowance		134 937	223 075	143 962	236 708
Contributions - UIF, pension, medical, group insurance		73 351	112	64 650	333
Other		190 613 -		3 477 -	
		721 007	738 909	695 505	808 429

22. Remuneration of Councillors

Executive Mayor	440 732	312 700
Speaker	358 738	290 337
Mayoral Committee Members	2 190 121	1 899 603
Councillors	3 579 241	3 101 588
Councillors' pension contribution	245 775	326 700
Councillors' medical contribution	59 908	50 090
Telephone allowance	457 309	421 503
Travelling allowance	1 964 707	2 021 820
Councillors' UIF contribution	13 476	
	9 310 007	8 424 341

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time employees of the municipality. Each is provided with an office and secretarial support at the cost of Council.

The Executive Mayor has use of a council owned vehicle for official duties and a bodyguard.

23. Finance costs

Non-current borrowings	4 666 825	4 999 278
Bank	-	
Eskom	1 584	277
Rand Water	-	
Telkom	12 750	
Auditor General	3 117	
Huge telecom	5 605	
SARS	63 332	
	4 753 213	4 999 555

24. Bulk purchases

Electricity	77 751 370	56 820 321
Water	55 505 718	53 001 724
	133 257 088	109 822 045

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25. Grants and subsidies paid

Grant to community chest

Equitable share

	2 010	2 009
Grant to community chest	20 000	
Equitable share	4 976 260	4 224 152
	4 996 260	4 224 152

Council contributes annually to the community chest. One of the Mayoral Committee members sits on the Governing body of the community chest.

Equitable share is used to subsidise registered indigents.

26. General expenditure

Advertising	282 536	258 491
Audit fees	2 775 885	2 603 511
Bank charges	1 265 710	1 281 352
Bursaries	132 496	177 647
Conference and delegations	577 254	712 374
Connection charges	599 514	1 149 952
Consulting and professional fees	3 172 704	3 566 221
Departmental consumption	2 985 172	32 013 084
Entertainment	541 685	234 150
Legal fees	1 391 553	1 898 141
License fees vehicles	144 325	199 676
Financial management grant	45 500	-
Fuel and oil	3 541 410	3 905 171
Insurance premium	1 277 896	1 225 758
Rental: External equipment	79 725	71 664
Membership fees	670 999	610 809
Postage	1 137 458	1 063 320
Printing and stationery	875 884	973 010
Sewerage treatment charges	14 824 237	9 198 620
Telephone expense	2 894 815	2 761 544
Training	895 084	631 629
Transport claims	174 521	355 834
Skills development levy	975 821	867 900
Stock and materials	2 183 254	1 386 248
Valuation costs	1 097 554	651 871
Uniforms	640 322	231 639
Other general expense	5 299 385	10 581 743
	50 482 699	78 611 359

27. Cash generated from operations

(Loss) profit before taxation	779 097	(9 246 580)
Adjustments for:		
Depreciation and amortisation	25 717 819	36 240 482
Interest received	(19 805 020)	(21 673 141)
Finance costs	4 753 213	4 999 555
Loss on disposal of fixed assets	290 473	-
Gain on disposal of fixed assets	(695 286)	-
Changes in working capital:		
Inventories	251 135	(258 978)
Trade and other receivables from exchange transactions	(3 260 387)	(14 330 280)
Investments Held to Maturity	(21 456 618)	(821 729)
Trade and other payables	9 415 154	10 294 784
VAT	1 312 164	
	(2 698 256)	5 204 113

28. Cash and cash equivalents

Cash and cash equivalents included in the Cash Flow Statement comprise the following:

Bank balance / cash	5 315	6 325 261
Bank overdraft	5 308 368	-
	(5 303 053)	6 325 261

29. Utilisation of Long-term liabilities reconciliation

Long-term liabilities -
Used to finance property, plant and equipn-

Cash set aside for repayment of long-term -

30. Additional disclosure in terms of Municipal Finance Management Act.

Contributions to SALGA

Council subscriptions	725 430	600 629
Amount paid - current year	(725 430)	(600 629)

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VAT**2 010****2 009**

VAT payable is shown in note 12.

All VAT returns have been submitted by the due date throughout the year.

Audit fees

Opening balance	1 462 582	28 230
Current year audit fee	2 758 075	2 705 121
Interest	3 117	
Amount paid - current year	(2 192 982)	(1 270 769)
	2 030 792	1 462 582

PAYE and UIF

Current year payroll deductions	14 783 039	11 757 081
Amount paid - current year	(14 783 039)	(11 757 081)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions	31 472 906	27 454 402
Amount paid - current year	(31 472 906)	(27 454 402)

Councillor's arrear accounts

T du Toit (Acc no. 525381)	-	2 356
DN Motloung (Acc no. 510127)	7 263	14 019
	7 263	16 375

These councillor's account were in arrear for more than 90 days at the reporting date or during the year.

31. Commitments**Capital Commitments****Already contracted for but not provided for**

□ Infrastructure	34 910 670	25 339 155
This expenditure will be financed from:		
- Government grants	34 910 670	25 339 155

Contract on Information Technology

Capital and Maintenance	29 230 240
Expenditure finance from own funds	29 230 240

Operating leases - lessee (Abrahamsrust)

Minimum lease payments due		
- within one year	1	1
- in second to fifth year inclusive	5	5
- later than five years	1	2
	7	8

Operating lease payments represent rentals payable by the entity for rental of property situated on Abrahamsrust.

The entity has a 50 year lease option that expires on 31 March 2017.

32. Retirement benefits**Defined contribution plan**

The following are defined contribution plans: Municipal Councillors Pension Fund, Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. Employees can contribute to the Free State Municipal Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. These Funds are classified as defined contribution plans. These contributions have been expensed.

Defined benefit plan

The defined benefit plans are the SALA Pension Fund and the Government Employment Pension Fund. These are not treated as defined benefit plans as defined by IAS19 (AC 116), but as a defined contribution plans. According to the actuaries it is not possible to report separately for each municipality on the fund, thus the reason for treating them as defined contribution plans in terms of IAS 19 (AC116) par. 30.

Some employees of various municipalities belongs to the SALA Pension Fund. The latest actuarial valuation of SALA Pension Fund was on 1 July 2007. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R5,580.30 million which adequately financed by assets of R6,138.70 million.

Some employees of various municipalities belongs to the Government Employment Pension Fund. The latest actuarial valuation of Government Employment Pension Fund was on 31 March 2006. These valuations indicate that the funds are in a sound financial position. The estimated liability of the fund is R447,474 million which adequately financed by assets of R545,563 million.

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2 010**2 009****33. Post balance sheet events**

Key management are not aware of any matter or circumstance arising since the end of the financial year to date of this report, not otherwise dealt with in the financial statements, which significantly affect the financial position of the entity or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

34. Comparison with the budget

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).

35. Related parties**Relationships**

Councillor's interest

Asazi Funeral Parlour
 Asazi Inn
 Auburn Avenue Trading 70
 Batjha Ba Kopane Trading
 Corpco 393
 Expanje Onthaal Dienste
 Grej Civil Mechanical and General Construction
 Izinkokeli Investment Company
 Jeshurun Contruction and Projects
 Mahlohlojane Trading Enterprise
 MaitsoKolla Trading and Projects
 Mamohato Construction
 Mathoma Resource Management
 Metsimaholo Labour Consultants
 Momi Construction
 Mona Druksenberg Construction
 Ramathasele Brothers Trading Enterprise
 Refengkgotso Help Centre
 Rethabile Beauty and Hair Salon
 Sisebenzela Mzansi Consulting and Project Managers
 SMCP cc
 Tropical Paradise Trading 218

Post employment benefit plan for employee Refer to note 32

Executive Council Members Refer to note 22

Related party transactions**Purchases from related parties**

Mamohato Construction CC

319 193 818 202

319 193 818 202**36. Unauthorised, irregular, fruitless and wasteful expenditure****FRUITLESS AND WASTEFULL EXPENDITURE****Reconciliation of fruitless and wasteless expenditure**

Opening balance	6 232 426	6 358 601
Fruitless and wasteful expenditure current year	1 085 445	876 653
Condoned by Council	-	1 002 828
	7 317 871	6 232 426

Fruitless and wasteful expenditure during current year

Incident	Actions taken		
Interest on Eskom	Payment was made To be condone by Council	1 423	1 337
Suspended Employees	Two employees won their case in CCMA To be condone by Council	974 319	875 316
Bursaries	Bursaries were paid out but students did not completed the studies To be condone by Council	24 899	
Penalties and interest on VAT	Late payment was made	63 332	
Interest on Telkom	Late payment was made	12 750	
Interest on Huge Telecom	Late payment was made	5 605	
Interst on Auditor General	Arrangements made for payments	3 117	
		1 085 445	876 653

The interest for 2006/2007, 2007/2008 and 2008/2009 was condone at the Council Meeting of 30 August 2010

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36. Unauthorised, irregular, fruitless and wasteful expenditure (continued)

Unauthorised expenditure

Incident	Actions taken		
Ukwasi Force - Contract price exceeded	Condoned by Council		1 411 443

Limits of Credit Cards exceeded	To be condoned by Council	15 572	
---------------------------------	---------------------------	--------	--

Due to certain accounting treatments the following budgets were exceeded

Bad Debts	To be condoned by Council		56 080 683
Provisions	To be condoned by Council		1 494 531
General expenditure	To be condoned by Council		1 822 436
Finance cost	To be condoned by Council		3 987 835

15 572	64 796 928
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IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure			
Opening balance		9 418 230	9 291 914
Irregular expenditure current year		10 111 940	126 316
		19 530 170	9 418 230

Irregular expenditure current year

Incident	Actions taken		
Inadequate quotation obtained for payment made to Jacobsco.	Supply Chain Officer will take control over procurement procedures	-	
Computer service no tender	Service terminated	-	
Photocopiers tender procedure not followed	Investigation in process	7 574 754	
Fencing and dumping expenses exceeded	Unforeseen circumstances		126 316

Procurement Principle of 80/20point formula not apply for Procurement between R30 000 and R200 000

Report to be submitted to Council

2 506 303

Credit Card expenditure not in line with Policy

Report to be submitted to Council

30 883

10 111 940	126 316
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37. Comparative figures

Certain comparative figures have been reclassified for fairer presentation of the information due to prior period errors. Refer to note 38 for prior period errors.

38. Prior period errors

- 1) The opening balance of the water stock was adjusted with R66 849 as a result of the new engineers report.
- 2) The amount of R1 007 981, Ukwasi Force, in note 36 is replace with R1 411 443.
- 3) The general ledger was corrected to the debtors age analysis.
- 4) DWAF unspent grants was corrected with capital expenditure.
- 5) Funds received from DWAF corrected that was allocated to the wrong vote.
- 6) The Vat on provision on Bad Debts was corrected.
- 7) Payments in advance is corrected.
- 8) The Guarantee in note 7 be corrected
- 9) The SANLAM shares is included in the AFS
- 10) Provision is made for contentious membership (Employee benefits)
- 11) Unclaimed deposits were transfer
- 12) Unmetered water and electricity consumption adjusted

Metsimaholo Local Municipality

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The correction of these errors results in adjustments for the 2009 year as set out below:

Statement of financial position

VAT Payable	-	17 489 182
Other receivables		2 969 166
Investment		796 763
Accumulated depreciation		-
Other payables	-	14 790 569
Payment in advance	-	920 797
Provisions		(16 803 798)
Accumulated Surplus	-	18 098 741
Debtors		(12 239 870)
Debtors	-	(10 027 437)
Inventory	-	66 849
Conditional Grants	-	(175 000)
	-	15 885 962

Statement of financial performance

Other income		(1 073 862)
Revenue Interest		(31 354)
Expenses	-	(759 761)
Revenue service charges		4 500 774
Revenue Grants		(791 150)
Realisation of deferred income		-
Expenses Provision		104 209
Impairment of trade receivables		(17 834 818)
Depreciation		-
		(15 885 962)

39. Contingencies

Housing Loans

Guarantees for housing loans to employees at financial institutions

31 070

31 070

40. Risk management**Capital risk management****Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality's manages liquidity risk through an ongoing review of future commitment, investments and credit facilities.

Cash flow forecasts are prepared monthly and adequate utilised borrowing facilities are monitored.

The Council has a R 5 million overdraft facility with ABSA Bank to ensure adequate borrowing facilities are available. The cash flow of the Council is managed on a daily basis and any problems are communicated to the management and members of the Mayoral Committee in time to ensure arrangements with major suppliers can be reached.

The situation was managed and Council took drastic action to improve the matter.

A Budget and Loss Control Committee was established to ensure proper management of the cash flow and budget.

A data cleansing project is in the process to improve the liquidity of the Municipality.

The Revenue Enhancement Strategy was approved by Council and currently being implemented..

The general liquidity of the Council is managed by a bank and investment policy with properly defined duties and responsibilities supported by adequate delegated authority by the Council.

The exposure of Council's risk to liquidity are due to the non payment of receivables. There are insufficient consumer deposits to cover outstanding trade receivables. These will be address through the data cleansing exercise

The Council has the following financial instruments that can be cashed in on a very short notice to relieve cash flow matters that cannot be addressed in the normal course of business.

-Paid up annuity

-Shares Sanlam Ltd

-Non paid up annuity

-Approved additional credit facility available

In terms of Section 137 and 139 of the Municipal Financial Management Act,(Act no 56 of 2003) provision is made for provincial intervention when serious financial problems are experienced.

The above instruments are available if the current funds are not enough to cover the future commitments and are sufficient to cover any normal liquidity risk of the Council.

The Council is empowered to perform tariff adjustments and budget for any unforeseen operational changes in the nature of the Council's business subject to applicable regulations.

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The table below analyses the municipality's financial liabilities and net -settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2010	Less than 1 year	Between 1 and 5 years	Later than 5 years
Annuity loans	1 229 736		
Finance lease obligations	6 501 780	11 036 653	
Trade and other payables	69 693 682		
VAT	7 879 310		
Consumer deposits	8 340 711		
At June 30, 2009	Less than 1 year	Between 1 and 5 years	Later than 5 years
Annuity Loans	-	2 564 743	-
Finance lease obligations	7 113 240	12 249 498	-
Trade and other payables	65 085 107	-	-
VAT	6 567 146		
Consumer deposits	7 394 644	-	-

Risk from environmental assets

The Council is not exposed to financial risks arising from changes in any purchased biological bulk services.

The Council operates two water purification plants as well as two sewer purification plants in Oranjeville and Deneysville which is considered an ecologically sensitive and national key resource area. (upper and lower Vaal Dam). The Council has established a disaster management committee and forum to ensure any disaster can be managed. The main bulk services for the area is purchased and these resources are negotiated through a national negotiation forum that ensures that bulk service purchase price increases are fair. The sewer purification for the Sasolburg and Zamdela services is purchased from SASOL group. The annual price increase is forwarded to the consumers to ensure that financial risks is managed. No joint or separate responsibility for sewer outfall exists on the Sasolburg and Zamdela plant.

The Council reviews its water and sewer purification prices annually, considering the need for active financial risk management.

The Council operates seven cemeteries. The Council is in process to procure adequate land for these cemeteries to ensure the major financial risk relating to cemeteries are catered for.

The Council operates three demarcated refuse removal sites. The operation of these sites are considered adequate and current studies are underway to ensure that the sustainability, operation and rehabilitation of these sites are adequate. These studies will ensure that adequate financial risks is identified and managed.

The financial risk for storm water is managed through the non acceptance of any risk for down flow storm water in title deeds and the inclusion of operational and financial risk controls in the title deeds of all stands and the town planning scheme.

Adequate (R100 million) public liability insurance is secured annually from the insurers of the Council.

The recoverability of long-term debtors, with a carrying value of R542 940, are considered to be irrecoverable and adequately provided for.

Interest rate risk

At reporting date the interest rate profile of the municipality's interest bearing financial instruments was:

Fixed rate instruments

Financial Assets: R 29 504 681 (2009: R 19 328 301)
Financial Liabilities: R Nil (2009:R Nil)

Variable rate instruments

Financial Assets: R 6 655 005 (2009: R 6 218 208)
Financial Liabilities: R11 036 653(2009: R 16 513 423)

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2010 and 2009, the municipality's borrowings at variable rate were denominated in the Rand.

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2 010**2 009****Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. The Council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Only approved major financial institutions are utilised. An extensive investment policy and delegated authority is approved by Council and is adhered to.

Minimal cash on hand is kept in the form of receipts and cashier floats. The income is daily collected by a collection service and sufficient categories of safes and strong rooms are utilised to keep cash until collection. There is security services at the building.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The collection of arrears is a priority. The credit control and debt collection policy is reviewed annually to ensure the credit risk is managed. The Council budgets for adequate working capital and a bad debt write off policy is being developed.

Deposits are levied with new connections. The indigent register is regularly reviewed and updated. A credit collection section is functioning and any arrear accounts duly followed up. Action is taken timeously against defaulters. Proceeds of the sale of property is attached for amounts owed during the transfer of properties by issuing clearance certificates as required.

Cash, fidelity and money handlers insurance are taken out annually to ensure adequate risk cover exist.

41. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2010

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - design ted	Total
Long term payables	1 229 736			1 229 736
Other financial liabilities	11 036 653			11 036 653
Trade and other payables	90 661 148			90 661 148
Bank overdraft	5 308 368			5 308 368
Consumer deposits	8 340 711			8 340 711
	116 576 616	0	-	116 576 616

2009

	Financial liabilities at amortised cost	Fair value through profit or loss - held for trading	Fair value through profit or loss - design ted	Total
Long term payables	2 564 743 -	-	-	2 564 743
Other financial liabilities	16 418 411 -	-	-	16 418 411
Trade and other payables	71 306 617 -	-	-	71 306 617
Consumer deposits	7 394 644 -	-	-	7 394 644
	97 684 415			97 684 415

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42. Non-compliance with MFMA

The following sections of the Municipal Finance Management Act were not adhered to during the year under review:

- Section 65(2) (e) of MFMA, 2003(Act no. 56 of 2003)
- Section 52 of MFMA, 2003(Act no. 56 of 2003)
- Section 32 of MFMA, 2003(Act no. 56 of 2003)
- Section 71 of MFMA, 2003(Act no. 56 of 2003)
- Section 62 (1) of MFMA, 2003(Act no. 56 of 2003)
- Section 112 of MFMA, 2003(Act no. 56 of 2003)
- Section 116 of MFMA, 2003(Act no. 56 of 2003)
- Section 70(1) of MFMA, 2003(Act no. 56 of 2003)
- Section 65(2)(i) of MFMA, 2003(Act no. 56 of 2003)
- Section 72(1)(a) of MFMA, 2003(Act no. 56 of 2003)
- Section 53(2) of MFMA, 2003(Act no. 56 of 2003)
- Section 16(2) B1125 of MFMA, 2003(Act no. 56 of 2003)
- Section 17(3) of MFMA, 2003(Act no. 56 of 2003)
- Section 63 of MFMA, 2003(Act no. 56 of 2003)
- Section 115(1) A1129 of MFMA, 2003(Act no. 56 of 2003)
- Section 116(1) of MFMA, 2003(Act no. 56 of 2003)
- Section 119 of MFMA, 2003(Act no. 56 of 2003)
- Section 121(3) of MFMA, 2003(Act no. 56 of 2003)
- Section 127 of MFMA, 2003(Act no. 56 of 2003)
- Section 166 of MFMA, 2003(Act no. 56 of 2003)

43. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	2010					
	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity investments	Available for sale	Total
Other financial assets			7 737 847			6 686 055
Other receivables	41 691 427					36 758 215
Trade and other receivables	54 209 472					4 318 164
Cash and cash equivalents		29 443 646				29 443 646
	95 900 899	29 443 646	7 737 847	0	-	77 206 080
	2009					
	Loans and receivables	Fair value through profit or loss - held for trading	Fair value through profit or loss - designated	Held to maturity investments	Available for sale	Total
Other financial assets			6 199 683		-	6 199 683
Other receivables	10 033 803 -	-	-		-	10 033 803
Trade and other receivables	50 949 085 -	-	-		-	75 935 097
Cash and cash equivalents		14 367 912				
	60 982 888	14 367 912	0	0	-	85 968 900

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44. Change in estimate

Property, plant and equipment

The useful life of certain property, plant and equipment was re-assessed during the year. The effect of this revision has decreased the depreciation charges for the current and future periods by R 446,983

45. Income foregone

The income foregone relates to rebates granted to consumers on services rendered.

46. Provision (Non-current)

As at 30 June 2010

Balance at beginning of year	16 803 798	16 699 589
Current-service cost	409 306	403 244
Interest cost	1 508 427	1 786 898
Expected Return on Plan Assets	-	-
Actuarial (Gain)/Loss	230 661	(1 315 509)
Past Service cost	-	-
Effect of Curtailment/Settlement	-	-
Expected Employer Benefit Payments	(854 592)	(770 424)
Employer Prefunding Contributions	-	-
Balance at end of year	18 097 600	16 803 798

Continue Medical aid membership

An actuarial valuation has been performed of the Municipality's liability in respect of benefits to eligible retirees and retired employees of the Municipality. The provision is utilised when eligible employees receive the value of the vested benefits.

Key Financial Assumptions

The table summarised the financial assumption used.

Assumption	Value p.a
Discount Rate	9.12%
Health care cost inflation rate	7.18%
Non effective discount rate	1.81%

The next contribution rate increase is assumed to occur at 1 January 2011

Financial Assumptions for Prior periods

Assumption	30/06/2008	30/6/2009
Discount Rate	10.95%	9.21%
Health care cost inflation rate	9.76%	7.39%
Non effective discount rate	1.08%	1.69%

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iii) A one-year decrease in the assumed average retirement age; and
- (iv) A 50% reduction in the assumed withdrawal rates

Summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		6.911	11.186	18.098	
Health care inflation	1%	8.394	12.238	20.632	14%
	-1%	5.735	10.268	16.003	-12%
Post-retirement mortality	-1 yr	7.138	11.629	18.767	4%
Average retirement age	-1 yr	7.404	11.186	18.59	3%
Withdrawal Rate	-50%	7.4	11.186	18.587	3%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

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The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 14% higher than that shown.

2 010

2 009

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SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

			R	R	R	R	R	R
	Loan Number	Redeem- able	Balance at 1 July 2009	Received during period	Redeemed/ Written off during the period	Balance at 30 June 2010	Carrying Value of property plant and equipment	Other costs in accordance with MFMA
<u>Long Term loans</u>								
<u>Annuity loans</u>								
Development Bank of South Africa @ 15,6%	11		-	-	-	-	-	-
INCA	2	30/6/2009	-	-	-	-	-	-
INCA	3	30/4/2011	2 564 743	-	1 335 007	1 229 736	1 229 287	
TOTAL			2 564 743	-	1 335 007	1 229 736	1 229 287	

METSIMAHOLO LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	Cost / Revaluation					Accumulated Depreciation						Budget Additions 2 010
	R Opening Balance	R Additions	R Transfer Balance	R Disposals	R Closing Balance	R Opening Balance	R Additions	R Transfer	R Disposals	R Closing Balance	R Carrying Value	
<u>Land and Buildings</u>												
Land	1 500 000	-			1 500 000						1 500 000	3 050 000
Buildings	24 666 501	-	-	-	24 666 501	6 854 088	1 018 391			-	7 872 479	16 794 022
	26 166 501	-	-	-	26 166 501	6 854 088	1 018 391			-	7 872 479	18 294 022
												3 050 000
<u>Infrastructure</u>												
Stormwater	29 455 799	-	-		29 455 799	9 834 216	1 625 441			11 459 657	17 996 142	-
Roads	61 659 921	-	-	-	61 659 921	51 711 773	3 009 901			-	54 721 674	6 938 247
Sewerage mains & purification	92 339 454	8 951 292	-		101 290 746	(12 154 907)	4 248 082			(7 906 825)	109 197 571	19 013 751
Electricity mains/reticulation	74 075 095	4 260 467	-		78 335 562	31 172 818	4 086 967			35 259 785	43 075 777	12 770 000
Electricity peak load equipment	1 531 860		-		1 531 860	790 063	100 137			890 200	641 660	-
Water mains & purification	63 244 244	7 555 797	-		70 800 041	24 562 693	2 927 088			27 489 781	43 310 260	15 922 938
Reservoirs - water	1 821 518		-		1 821 518	1 417 486	33 583			1 451 069	370 449	-
Refuse dumps	-		-		-	-				-	-	800 000
Car parks, bus terminals & taxi ranks												
Street lighting	11 043 122	2 413 378			13 456 500	4 354 686	417 936			4 772 622	8 683 878	
												3 125 000
	335 171 013	23 180 934	-	-	358 351 947	111 688 828	16 449 135	-	-	128 137 963	230 213 984	51 631 689
<u>Community Assets</u>												
Parks	3 711 268	295 898	-	-	4 007 166	1 335 529	380 098			1 715 627	2 291 539	3 100 000
Stadiums	4 070 312		-		4 070 312	1 185 978	179 926			1 365 904	2 704 408	1 000 000
Halls	3 531 365	1 100 000	-		4 631 365	1 039 085	122 854			1 161 939	3 469 426	1 000 000
Swimming pools	1 128 024	-	-		1 128 024	675 666	107 460			783 126	344 898	-
Recreation facilities	562 332		-		562 332	182 312	27 988			210 300	352 032	400 000
Clinics	74 223	-	-	-	74 223	17 992	2 566			-	20 558	53 665
Cemetery	867 377	3 560 935	-		4 428 312	210 239	29 983			240 222	4 188 090	-
	13 944 900	4 956 833	-	-	18 901 733	4 646 801	850 875			-	5 497 676	13 404 058
												5 500 000
<u>Heritage</u>												
Paintings, sculptures, ect	180 420		-	70 370	110 050	(206)	-			(206)	110 256	
	180 420	-	-	70 370	110 050	(206)	-			-	(206)	110 256
												-

<u>Other Assets</u>											
Landfill sites											
Furniture	5 294 132	424 903	-	389 661	5 329 374	3 606 407	389 020	-	388 360	3 607 067	1 722 307
Office equipment	932 010	137 508	-	115 176	954 342	(3 509 150)	60 102	-	115 176	(3 564 224)	4 518 566
Emergency equipment	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	12 245 391	-	-	520 591	11 724 800	7 614 365	798 651	-	520 591	7 892 425	3 832 375
Fire engines	2 188 843	-	-	-	2 188 843	444 128	109 442	-	-	553 570	1 635 273
Refuse trucks	7 534 455	-	-	15 127	7 519 328	5 770 688	962 014	-	15 127	6 717 575	801 753
Computer equipment	5 797 489	3 902 628	-	2 262 790	7 437 327	4 683 545	759 745	-	2 255 751	3 187 539	4 249 788
Councillor's regalia	-	-	-	-	-	-	-	-	-	-	-
Other assets	6 870 866	85 258	-	1 156 412	5 799 712	6 178 666	301 808	-	1 151 571	5 328 903	470 809
Plant & Equipment											
Software	1 817 522	-		364 111	1 453 411	1 783 090	23 104		364 111	1 442 083	11 328
	42 680 708	4 550 297	-	4 823 868	42 407 137	26 571 740	3 403 886	-	4 810 687	25 164 939	17 242 198
											25 438 520
<u>Housing</u>											
Hostels	25 656 292		-		25 656 292	2 854 062	353 293			3 207 355	22 448 937
Housing rental	1 448 010	-	-		1 448 010	379 910	55 920			435 830	1 012 180
	27 104 302	-	-	-	27 104 302	3 233 973	409 213	-	-	3 643 186	23 461 116
											-
<u>Leases</u>											
Leases	21 341 049	-		1 297 166	20 043 883	10 903 294	4 395 533		1 297 166	14 001 661	6 042 222
Total	466 588 893	32 688 064	-	4 894 238	493 085 553	163 898 517	26 527 033	-	4 810 687	184 317 697	308 767 856
											85 620 209

Problems are experienced with the asset register to be in line with GAMAP.

1. Depreciation is done with implementation of Asset Register, but further adjustments will be made to correct depreciation on the assets taken up
2. Loans redeemed and other capital receipts were allocated to accumulated depreciation, as well as loan redemption fund.

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METSIMAHOLO LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

	COST					ACCUMULATED DEPRECIATION					
	R Opening Balance	R Additions	R Transfer Balance	R Disposals	R Closing Balance	R Opening Balance	R Additions	R Transfer	R Disposals	R Closing Balance	R Carrying Value
Office of the municipal manager	22 967 500	1 074 324	0	1 468 276	22 573 548	11 875 978	4 619 748		1 463 476	15 032 250	7 541 298
Corporate services	24 587 280	235 583	0	556 659	24 266 204	11 675 631	1 253 181	0	510 361	12 418 451	11 847 753
Information technology	6 593 483	3 259 041	0	671 610	9 180 914	5 600 714	445 528	0	670 786	5 375 457	3 805 457
Health services	2 881	0	0	0	2 881	2 881	0	0	0	2 881	0
Cleansing services	7 844 300	0	0	9 481	7 834 819	4 525 414	731 564		9 481	5 247 497	2 587 322
Public safety	7 495 949	0	0	435 916	7 060 033	3 881 368	529 689		435 916	3 975 141	3 084 892
Parks and recreation	2 541 621	1 203 684	0	184 741	3 560 564	1 643 599	191 200	0	184 741	1 650 058	1 910 506
Pleasure resorts	818 546	0	0	93 514	725 032	585 233	62 954		93 514	554 673	170 358
Community centres	2 249 627	0	0	171 197	2 078 430	827 304	222 541		169 621	880 224	1 198 206
Stadiums	5 422 943	54 382	0	23 107	5 454 218	1 425 664	184 563		23 107	1 587 120	3 867 098
Swimming pools	673 050	0	0	10 312	662 738	287 893	31 941		10 312	309 522	353 215
Cemeteries	1 240 257	3 559 155	0	0	4 799 412	555 270	44 142		0	599 412	4 200 000
Libraries	935 296	0	0	51 810	883 486	712 462	54 658		38 588	728 532	154 954
Technical services	246 526	0	0	49 702	196 824	231 484	3 036	0	48 700	185 820	11 005
Electricity	75 934 594	6 683 482	0	413 525	82 204 551	27 161 067	4 498 661	0	407 310	31 252 418	50 952 133
Mechanical workshop	400 066	0	0	34 948	365 118	335 580	25 714		34 606	326 688	38 430
Streets and stormwater	102 041 341	0	0	62 804	101 978 537	66 070 523	5 188 701	0	62 804	71 196 420	30 782 117
Buildings	287 971	0	0	26 584	261 387	259 650	24 525		26 584	257 591	3 796
Sewerage	95 352 284	8 941 292	0	25 609	104 267 967	25 353 414	4 413 847	0	25 609	29 741 652	74 526 316
Water	59 724 160	7 555 796	0	42 314	67 237 642	25 782 290	2 727 867	0	38 693	28 471 464	38 766 178
Financial services	2 776 563	98 130	0	531 685	2 343 008	2 224 990	147 003	0	526 031	1 845 962	497 046
Economical development and plannin	46 196	0	0	0	46 196	26 948	6 599		0	33 547	12 649
Housing administration	7 265 096	13 195	0	16 041	7 262 250	7 265 096	2 494		16 041	7 251 549	10 702
Property administration	1 038 707	0	0	0	1 038 707	868 028	94 267		0	962 295	76 411
Urban planning	36 465 325	0	0	14 405	36 450 920	6 570 581	892 634		14 407	7 448 808	29 002 112
TOTAL	464 951 560	32 678 064	0	4 894 239	492 735 385	205 749 062	26 397 056	0	4 810 688	227 335 430	265 399 954
Useful life adjustments 2008/2009											43 505 748
TOTAL											308 905 702

METSIMAHOLO LOCAL MUNICIPALITY
SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2010

2 009	2 009	2 009		2 010	2 010	2 010	2 010
Actual Income	Actual Expenditure	Surplus/ (Deficit)		Actual Income	Actual Expenditure	Surplus/ (Deficit)	Budget Surplus/ (Deficit)
R	R	R		R	R	R	R
152 975 131	212 845 467	(59 870 336)	<u>Rates and General Services</u>	170 104 715	229 812 539	(59 707 824)	(58 982 610)
98 510 695	150 521 052	(52 010 357)	<u>Community Services</u>	117 674 441	158 642 978	(40 968 537)	(32 339 060)
73 008	3 866 349	(3 793 341)	Executive Mayor : Administration	3 184	5 395 325	(5 392 141)	(5 189 070)
-	1 419 616	(1 419 616)	Youth Unit	-	1 110 751	(1 110 751)	(1 331 070)
-	131 632	(131 632)	Age/Disability/Gender/Children	-	87 001	(87 001)	(155 600)
-	1 861 068	(1 861 068)	Speaker : Administration	1 239	2 130 919	(2 129 680)	(2 098 650)
-	3 463 071	(3 463 071)	Mayoral Committee	-	3 248 223	(3 248 223)	(3 909 520)
-	4 642 353	(4 642 353)	Councillors	-	5 308 271	(5 308 271)	(4 887 240)
509 439	13 523 089	(13 013 650)	Municipal Manager : Administration	547 473	7 585 621	(7 038 148)	(14 530 195)
-	514 777	(514 777)	IDP and PMS	-	134 157	(134 157)	(248 410)
-	695 145	(695 145)	Internal Audit	-	200 441	(200 441)	(87 670)
-	-	-	PMU	185 948	588 197	(402 249)	(948 070)
-	1 010 439	(1 010 439)	Director :Organisation Development & Corporatic	-	382 813	(382 813)	(491 430)
13 444	9 095 106	(9 081 662)	Corporate Service : Administration	256 900	4 940 496	(4 683 596)	(3 627 770)
435 089	3 079 822	(2 644 733)	Human Resources	755 753	1 833 430	(1 077 677)	(2 580 475)
-	1 352 737	(1 352 737)	Legal Services	-	1 074 805	(1 074 805)	(943 000)
-	3 240 689	(3 240 689)	Civic Centre	-	2 859 217	(2 859 217)	(4 342 280)
-	328 809	(328 809)	Staff housing - hostels & dwellings	-	448 950	(448 950)	(30 910)
-	3 230 463	(3 230 463)	Information Technology	-	1 532 148	(1 532 148)	(1 732 260)
-	1 104 183	(1 104 183)	Director : Social Services	-	1 235 139	(1 235 139)	(1 273 510)
-	1 095 794	(1 095 794)	Public Safety & Security : Administration	-	2 285 920	(2 285 920)	(1 793 910)
-	75 200	(75 200)	Disaster & Emergency Management	-	68 153	(68 153)	(421 020)
-	47 543	(47 543)	Security Services	-	4 348 524	(4 348 524)	(5 165 640)
1 296 931	5 107 068	(3 810 137)	Traffic Services	3 545 042	6 880 829	(3 335 787)	13 389 270
162 986	11 550 359	(11 387 373)	Parks, Recreation & Open Spaces	2 787	11 789 259	(11 786 472)	(13 703 110)
-	33 436	(33 436)	Director : Technical Services	-	678 619	(678 619)	(866 760)
-	1 587 764	(1 587 764)	Engineering Workshop	-	1 894 828	(1 894 828)	(2 190 560)
14 527	3 449 543	(3 435 016)	Civil Engineering : Administration	20 196	1 955 610	(1 935 414)	(2 601 010)
-	19 731 595	(19 731 595)	Streets & Stormwater	3 705 920	19 774 178	(16 068 258)	(21 613 990)
-	2 862 471	(2 862 471)	Building Maintenance	-	3 280 096	(3 280 096)	(5 319 600)
-	960 578	(960 578)	Director : Financial Services	-	308 872	(308 872)	(394 060)
31 439 664	44 940 351	(13 500 687)	Financial Services : Administration	34 979 667	57 881 744	(22 902 077)	(4 338 080)
13 320	1 426 801	(1 413 481)	Supply Chain Management	-	659 462	(659 462)	35 650
64 482 287	-	64 482 287	Assessment Rates	73 259 018	-	73 259 018	65 202 650
-	1 138 140	(1 138 140)	Director : Economic Dev. & Planning	-	584 915	(584 915)	(1 148 680)
-	490 502	(490 502)	Housing prop. & Urban Plan. : Administration	-	727 613	(727 613)	(569 290)
70 000	1 039 609	(969 609)	Property Administration	-	1 161 500	(1 161 500)	(1 251 590)

-	1 621 699	(1 621 699)	Urban Planning	411 314	3 699 377	(3 288 063)	(2 502 170)
-	426 348	(426 348)	Econ. Development : Administration	-	526 575	(526 575)	1 457 230
-	5 860	(5 860)	Marketing and Tourism	-	41 000	(41 000)	(57 700)
-	371 043	(371 043)	Public Relations	-	-	-	(79 560)
5 032 092	21 511 734	(16 479 642)	<u>Subsidised Services</u>	1 298 285	17 206 944	(15 908 659)	(15 559 100)
-	6 964 108	(6 964 108)	Fire Protection Services	130 048	7 288 424	(7 158 376)	(6 351 380)
4 801 438	5 732 751	(931 313)	Etienne Rousseau Theatre	673 414	1 510 894	(837 480)	(886 990)
4 605	-	4 605	Zamdela Arts and Culture Centre	7 851	-	7 851	91 620
658	5 446	(4 788)	Refengkgotso Hall	175	986	(811)	29 930
-	17 409	(17 409)	Metsimaholo Hall	-	18 249	(18 249)	22 450
-	336 844	(336 844)	Zamdela Community Hall	-	285 472	(285 472)	(354 000)
16 863	2 397 825	(2 380 962)	D P de Villiers Stadium	19 333	1 161 702	(1 142 369)	(1 375 810)
-	390 151	(390 151)	Moses Kotoane Stadium	-	608 154	(608 154)	(538 870)
-	-	-	Refengkgotso Stadium	-	7 563	(7 563)	(11 940)
-	-	-	Metsimaholo Stadium	-	4 008	(4 008)	(9 880)
4 412	1 066 607	(1 062 195)	Penny Heyns Swimming pool	3 319	1 280 375	(1 277 056)	(1 258 310)
-	592 171	(592 171)	Zamdela Swimming pool	-	419 537	(419 537)	(674 790)
86 374	431 030	(344 656)	Sasolburg Cemetery	114 493	513 944	(399 451)	(72 400)
21 276	136 222	(114 946)	Zamdela Cemetery	42 340	134 195	(91 855)	(785 410)
-	57 655	(57 655)	Deneysville Cemetery	36 120	42 423	(6 303)	118 220
-	3 938	(3 938)	Oranjeville Cemetery	14 500	-	14 500	170 630
96 000	2 468 050	(2 372 050)	Sasolburg Library	209 240	2 893 508	(2 684 268)	(2 630 900)
466	534 652	(534 186)	Zamdela Library	30 229	654 503	(624 274)	(571 960)
-	299 853	(299 853)	Deneysville Library	-	276 777	(276 777)	(368 220)
-	72 225	(72 225)	Oranjeville Library	661	81 714	(81 053)	(87 780)
-	4 797	(4 797)	Refengkgotso Library	16 562	24 516	(7 954)	(13 310)
49 432 344	40 812 681	8 619 663	<u>Economical Services</u>	51 131 989	53 962 617	(2 830 628)	(11 084 450)
18 121 598	16 709 969	1 411 629	Cleansing Services	22 670 232	20 325 805	2 344 427	394 350
1 689 323	2 336 163	(646 840)	Abrahamsrust Holiday Resort	798 155	2 127 098	(1 328 943)	(1 575 370)
1 724	27 535	(25 811)	Deneysville Shore facility	156 610	5 302	151 308	220 470
10 285	-	10 285	Oranjeville Shore facility	66 640	3 982	62 658	231 030
29 609 414	21 739 014	7 870 400	Sewerage	27 440 352	31 500 430	(4 060 078)	(10 354 930)
1 814 423	2 183 982	(369 559)	<u>Housing Services</u>	3 776 786	2 442 621	1 334 165	9 864 180
1 814 423	2 183 982	(369 559)	Housing Administration	3 776 786	2 442 621	1 334 165	9 864 180
221 112 872	152 716 084	68 396 788	<u>Trading Services</u>	285 639 284	220 941 433	64 697 851	34 036 090
103 964 584	62 858 853	41 105 731	Electricity : Administration	118 289 120	99 485 571	18 803 549	13 961 370
2 365 632	16 989 013	(14 623 381)	Electricity : Distribution	6 004 246	17 973 000	(11 968 754)	(22 278 870)
106 330 216	79 847 866	26 482 350	Electricity	124 293 366	117 458 571	6 834 795	(8 317 500)
114 782 656	72 868 218	41 914 438	Water Service	161 345 918	103 482 862	57 863 056	42 353 590
375 902 426	367 745 533	8 156 893	<u>Total</u>	459 520 785	453 196 593	6 324 192	(15 082 340)

METSIMAHOLO LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual (R)	2010 Budget (R)	2010 Variance (R)	2010 Variance (%)	Explanation of significant variance greater than 10% versus budget
Revenue					
Property rates	77 589 112	70 592 250	6 996 862	10	
Service charges	265 839 917	265 251 040	588 877	0	
Tariff charges	7 140 332	9 337 840	(2 197 508)	(24)	1*
Fines	3 443 848	20 637 760	(17 193 912)	(83)	2*
Government grant and subsidies	66 185 798	65 675 000	510 798	1	
Interest earned - external investments	1 897 391	750 000	1 147 391	153	3*
Interest earned - outstanding debtors	12 986 211	11 437 370	1 548 841	14	4*
Rental facilities and equipment	4 136 330	2 975 280	1 161 050	39	5*
Licenses and permits	52 421	105 300	(52 879)	(50)	6*
Profit sale of assets	-	13 030 000	(13 030 000)	100	7*
Other income	1 996 287	1 483 600	512 687	35	8*
Capital grants and subsidies	26 327 950	15 498 430	10 829 520	70	9*
Forgone Income	(6 612 348)	(8 046 210)	1 433 862	(18)	10*
Total revenue	460 983 249	468 727 660	(7 744 411)	(2)	
Expenditure					
Employee related costs	119 569 308	129 083 860	(9 514 552)	(7)	
Remuneration of Councillors	9 283 207	9 723 460	(440 253)	(5)	
Bad debts	73 032 782	38 000 000	35 032 782	92	11*
Collection cost	-	-	-	-	
Depreciation	26 230 535	31 916 520	(5 685 985)	(18)	12*
Repairs and maintenance	17 350 244	21 792 840	(4 442 596)	(20)	13*
Interest on external borrowings	216 282	1 553 290	(1 337 008)	(86)	14*
Bulk purchases	133 836 236	156 280 220	(22 443 984)	(14)	15*
Contracted services	8 194 667	10 535 830	(2 341 163)	(22)	16*
Grants and subsidies paid	4 996 260	5 345 000	(348 740)	(7)	
General expenses - Other	55 346 335	79 522 980	(24 176 645)	(30)	17*
Contributions to/(transfers from) provisions	2 236 562	56 000	2 180 562	100	18*
Loss on disposal of property, plant and equipment	-	-	-	-	
TOTAL EXPENDITURE	450 292 418	483 810 000	(33 517 582)	(7)	
Net surplus / (deficit) for the year	10 690 831	(15 082 340)	25 773 171		
Less : Capital Grants	-	-	-	-	
Net surplus / (deficit) for the year	10 690 831	(15 082 340)	25 773 171		
	-	-	-	-	

Explanation of Significant Variance greater than 10% Versus Budget

1 TARIFF CHARGES

Fewer services such as dump yard refuse where rendered.

2 FINES

Envisaged planning of expanding the traffic department's operations did not materialize due to cash constraints

3 INTEREST EARNED - External investment

Grants from DME that was invested resulted in more interest due to the fact that projects were not concluded in the year of review and will be rolled over.

4 INTEREST EARNED - OUTSTANDING DEBTORS

Outstanding receivables increased.

5 RENTAL FACILITIES AND EQUIPMENT

Hostel charges of Thembaletu previously rented by Sasol took effect during the year under review

6 LICENSES AND PERMITS

Fewer traders applied and received licences than anticipated.

7 PROFITS ON SALE OF ASSETS

Sale of erven was limited to RDP housing (Housing fund).
A moratorium on the selling of land was enforced during the year under review.

8 OTHER INCOME

Control measures were put in place and this assisted that more income were realised than anticipated

9 CAPITAL GRANTS AND SUBSIDIES - Operating Budget

Offset Depreciation is allocated from accumulated surplus.
Funds were unbundled as a result of the GRAP implementation. It should be noted that the budget excess is not actual expenditure but rather accounting entries passed.

10 FORGONE INCOME

Fewer pensioners applied for rebates on rates than what was anticipated.

11 BAD DEBTS

The variance is as a result of accounting entries past in line with GRAP requirements. It is not actual expenditure

12 DEPRECIATION

Useful life of certain of the assets reached their full depreciation amount during the year of review.
The variance was caused by the finalisation of the infrastructure asset register, which could not be completed in the financial year under review.

13 REPAIRS AND MAINTENANCE

The variance was as a result of delay experienced in appointing service providers.
It should however be noted that the expenditure increased from 2009 to 2010 financial year

14 INTEREST ON BORROWINGS

The envisaged loan to be taken up did not materialise.
No response was received from the main banks on the tender advertised.

15 BULK PURCHASES

The reticulation networks did not expand as envisaged. There was also a decrease in the water demand from our big consumers (industries), so less water was bought than originally anticipated.

16 **CONTRACTED SERVICES**

Fewer shows were done at the theatre than anticipated.

17 **GENERAL EXPENSES**

Better controls were implemented, therefore a decrease in the expenditure from 2009 financial year
The establishment of the Budget and Loss Control Committee contribute here to.

18 **PROVISIONS**

Implementation of GRAP
It is only accounting entries.

APPENDIX E(2)

METSIMAHOLO LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under construction	2010 Total additions	2010 Budget	2010 Variance (R)	2010 Variance (%)	Explanation of significant variances greater than 5% versus budget
	R	R	R	R	R	R	
<u>Land and buildings</u>							
Land			0	3 050 000		(100)	1*
Buildings	-		-	-	-		
	-	-	-	3 050 000	(3 050 000)	(100)	
<u>Infrastructure</u>							
Stormwater	-		-	-	-		
Roads	-		-	-	-		
Sewerage mains & purification	220 320	9 024 910	9 245 230	19 013 751	(9 768 521)	(51)	4*
Electricity mains	-	4 260 467	4 260 467	12 770 000	(8 509 533)	(67)	4*
Electricity peak load equipment	-		-	-	-		
Water mains & purification	-	7 579 679	7 579 679	15 922 938	(8 343 259)	(52)	1*
Reservoirs - water	-		-	-	-		
Water meters	-		-	-	-		
Refuse dumps			-	800 000	(800 000)	(100)	2*
Street lighting	-	2 413 378	2 413 378	3 125 000	(711 622)	(23)	1*
	220 320	23 278 434	23 498 754	51 631 689	(28 132 935)	(54)	

Community Assets

Parks	295 898		295 898	3 100 000	(2 804 102)		4*
Libraries			-	-	-	-	
Stadiums			-	1 000 000	(1 000 000)		
Halls	-	1 100 000	1 100 000	1 000 000	100 000	10	4*
Theatre			-	-	-		
Swimming pools	-		-	-	-		
Recreation facilities	-		-	400 000	(400 000)		
Cemeteries		3 560 935	3 560 935	-	3 560 935		
	295 898	4 660 935	4 956 833	5 500 000	(543 167)	(10)	

Heritage

Paintings				-	-		
	-	-	-	-	-		

Other Assets

Landfill sites			-				
Furniture	424 903		424 903	-	424 903	100	4*
Office equipment	137 508		137 508	1 163 150	(1 025 642)	100	4*
Emergency equipment	-		-	-	-	-	
Motor vehicles	-		-	7 130 000	(7 130 000)	(100)	1*
Fire engines	-		-	2 000 000	(2 000 000)	-	
Refuse Trucks	-		-	1 800 000	(1 800 000)	-	1*
Computer equipment	3 902 625		3 902 625	-	3 902 625	100	4*
Councillor's regalia	-		-	-	-		
Other Assets	85 257		85 257	13 345 370	(13 260 113)	(99)	1/4*
	4 550 293	-	4 550 293	25 438 520	(20 888 227)	(82)	

Housing

Hostels	-		-	-	-		
Housing rental	-		-		-	-	
	-	-	-	-	-		

Investment properties

Investment properties			-		-		
	-	-	-	-	-		

Total

5 066 511	27 939 369	33 005 880	85 620 209	(52 614 329)	(61)		
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METSIMAHOLO LOCAL MUNICIPALITY
Explanation of Significant Variance greater than 5% Versus Budget

The envisage loan to be taken up did not materialised. No response was received from financial main banks on proposals for financing.

The process of acquiring landfill sites took longer than anticipated. Anglo Coal has since committed to funding the EIA study in the 2010/2011 financial year.

Projects financed from Department of Mineral and Energy Affairs were not completed and funding will be rolled over for 2010 – 2011 financial year.

The introduction of control measures such as the Budget and Loss Control Committee has assisted in curbing unnecessary spending.. Departments need to motivate their needs and expenditure can only happens when the necessary approval is granted by the Committee.

METSIMAHOLO LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

GRANTS AND SUBSIDIES RECEIVED FOR YEAR ENDED 30 JUNE 2010

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 grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec	March	June			
		R	R	R	R	R	R	R	R	R	R	R	R		Yes/No	
Financial Management Grant		1 000 000				180 630	212 298	138 689	218 383							
Municipal Infrastructure Grant		0	6 912 000	5 181 000	12 130 000	2 044 117	5 630 171	2 056 050	14 168 915							
Department of Minerals & Energy			0	11 500 000			0	1 875 863	1 715 004							
Department of Water Affair and Forestry		1 227 000			0	39 814	41 647	11 554	1 384 718							
Municipal System Improvement Grant		735 000			0	7 500	5 317	22 000	700 183							