General Information

Members of the Executive Mayoral Committee

Executive Mayor	BT Mahklaku
Speaker	S Z Matena
Mayco (term end 17/5/2011)	NJ Kubekha LS Lempe RJ Mabefu KJ Makhoba DN Motloung NM Mtimkulu TL Soetsang
Mayco (appointed 1 June 2011)	M W Khonto N J Kubkeka S L Lempe T K Mabasa S Moreki L S Semonyo T L Soetsang A N Radebe

Members of Local Municipality

Councillors (term end 17/05/11)	FC Coetzer	S Moreki
	J du Plessis	HJ Moolman
	T du Toit	ZP Mona
	JJ Grobbelaar	TN Mosai
	S Holt	MM Nemalalangwa
	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

Councillors (Term start 31 May 2011)	FC Coetzer	D N Motloung
	L R Chebase	HJ Moolman
	J du Plessis	M M Mosia
	T du Toit	T E Mosia
	J J Geyser	M D Nthebe
	JJ Grobbelaar	M G Ntoane
	S Holt	DM Oswald
	S B Khunou	C S Phoofolo
	M F Machaea	M S Poho
	P J Mahlangu	SI Ramathesele
	A K Mare	M N Sejaki
	V J Maseko	M A Tamane
	N L Mdola	S L Tshongwe
	M J Msimanga	J M Phepheng-Lelahla
	TJ Mofokeng	MC van der Walt
	D E Mokoena	J D Viljoen
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	
Jurisdiction of Local Authority	Sasolburg Vaalpark Zamdela Deneysville Refengkgotso Oranjeville Metsimaholo	

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
Municipal Manager	XW Msweli
Chief Financial Officer	ME Mokoena
Attorneys	Lebea and Associates Attorneys Majavu Incorporated Melato Attorneys Mollenaar & Griffiths Ndobela Attorneys Nkaiseng Attorneys Skinner and Lodewyckx

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The reports and statements set out below comprise the following:

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, 2011 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 6 to 70, which have been prepared on the going concern basis, were approved by the Municipal Manager and Chief Financial Officer on August 31, 2011 and were signed on its behalf by:

XW Msweli	**Ms M E Mokoena**

Statement of Financial Position on 30 June 2011

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	3	35 855 165	2 060 173
Trade and other receivables from exchange transactions	4	88 843 721	52 737 390
Other receivables from non-exchange transactions	5	16 861 198	10 145 567
Other Financial Assets	6	14 617 397	16 996 477
Cash and cash equivalents	7	35 215 035	13 981 254
		191 392 516	**95 920 861**
Non-Current Assets			
Property, plant and equipment	8	798 767 112	834 460 031
Intangible assets	9	62 984	165 489
Investment Assets	10	44 239 480	46 195 398
Other Financial Assets	6	11 193 269	8 761 320
		854 262 845	**889 582 238**
Total Assets		**1 045 655 361**	**985 503 099**
Net assets and Liabilities			
Net assets			
Net surplus		855 757 475	795 213 742
Liabilities			
Current Liabilities			
Current portion of other financial liabilities	11	0	1 229 736
Finance lease obligation	12	15 626 051	16 373 739
Trade and other payables	13	87 729 287	68 843 931
Consumer deposits	14	9 558 303	8 340 711
Unspent conditional grants and receipts	15	7 217 346	15 567 421
Provisions	16	765 743	0
Vat payable	17	9 181 456	7 765 634
Bank overdraft(cash book)	7	0	5 308 368
		130 078 185	**123 429 540**
Non-Current Liabilities			
Other Financial liabilities	11	0	0
Finance lease obligation	12	9 209 342	24 835 393
Provision Employee Benefit	18	50 610 359	42 024 424
		59 819 701	**66 859 817**
Total Liabilities		**189 897 886**	**190 289 357**
Total Net Assets and Liabilities		**1 045 655 361**	**985 503 099**

Statement of financial performance

Figures in Rand	Note(s)	2 011	2 010
Revenue			
Property rates	19	80 193 251	70 976 764
Services charges	20	302 293 620	260 161 153
Government grants and subsidies	21	125 222 390	92 202 361
Fines		4 373 552	3 776 447
Rental income		4 868 573	4 095 241
Other income	22	8 591 870	10 302 825
		525 543 256	**441 514 791**
Interest on Investment		4 228 140	1 955 914
Interest on Debtors		14 224 373	12 986 211
Expenses			
Employee costs	23	(141 849 262)	(123 527 448)
Remuneration of Councillors	24	(9 922 949)	(9 296 531)
Debt Impairment	25	(8 612 634)	(72 180 411)
Bulk purchases	26	(160 377 632)	(133 257 088)
Depreciation, amortisation and impairments		(66 505 368)	(57 436 894)
Contracted services		(12 308 986)	(10 594 853)
Increase in provisions		(782 516)	(1 774 426)
Repairs and maintenance		(27 472 124)	(17 359 888)
Grants and subsidies paid	27	(15 537 736)	(4 996 260)
General Expenditure	28	(51 805 248)	(57 704 060)
		(495 174 455)	(488 127 859)
Surplus before finance cost for the period		48 821 314	(31 670 943)
Gains on disposal of property, plant and equipment		2 561 306	683 966
Surplus on inventory	3	139 662	-
Loss on inventory	3	(128 398)	(206 992)
Loss on disposal of property, plant and equipment		(5 042 939)	(83 481)
(Loss)/gain Actuarial Valuation		(5 105 260)	(152 962)
Fair value of Shares		216 712	257 288
Fair value and Discounting		(5 378)	(90)
Finance costs	29	(4 641 950)	(2 933 265)
Surplus/(Deficit) for the period		36 815 069	(34 106 479)

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					**275 639 606**	**275 639 606**
Prior period adjustments					1 222 184	1 222 184
Provision					(21 952 922)	(21 952 922)
Asset take on					574 411 353	574 411 353
Balance at July 1, 2009 as restated					**829 320 221**	**829 320 221**
Changes in Net Assets						
Property, plant and equipment purchased						-
Expenditure						
Transfer						
Sub total					829 320 221	829 320 221
Loss for the year					(34 106 479)	(34 106 479)
Total recognised income and expenses for the year					795 213 742	795 213 742
Transfers to accumulated surplus					-	-
Total changes					795 213 742	795 213 742
Balance at July 1, 2010 as restated					**795 213 742**	**795 213 742**
Changes in Net Assets defer						
(Loss)/Surplus for the year					36 815 069	36 815 069
Off set depreciation					23 728 664	23 728 664
Total changes					60 543 733	60 543 733
Balance at June 30, 2011					**855 757 475**	**855 757 475**

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Cash Flow Statement

Figures in Rand	Note(s)	2 011	2010
Cash flows from operating activities			
Receipts		504 809 029	395 425 980
Taxation (Property rates)		80 193 250	77 589 112
Sale of goods and service		274 513 476	177 182 506
Grants		83 228 330	101 882 759
Interest received		19 755 281	18 315 848
Other receipts		47 118 692	20 455 755
Payments		431 299 534	351 895 383
Employee cost		142 019 315	130 891 379
Suppliers		260 238 689	210 257 989
Interest paid		2 105 404	4 753 213
Other payments		26 936 126	5 992 802
Net cash from operating activities	30	**98 841 929**	**43 530 597**
Cash flows from investing activities			
Purchase of property, plant and equipment		(54 631 029)	(61 221 694)
Proceeds from sale of Property, Plant and Equipment		-	
(Increase)/decrease in non-current other financial assets		(2 444 355)	(1 941 310)
(Increase)/decrease in current other financial assets		2 379 080	(1 475 682)
Net cash from investing activities		**(54 696 304)**	**(64 638 686)**
Cash flows from financing activities			
Decrease in long-term liabilities		(1 229 736)	(1 335 007)
Payment of Finance lease liabilities		(16 373 740)	24 790 721
Net cash from financing activities		**(17 603 476)**	**23 455 714**
Total cash movement for the year		**26 542 149**	**2 347 625**
Cash at the beginning of the year		8 672 886	6 325 261
Total cash at end of the year		**35 215 035**	**8 672 886**

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. 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 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
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 102	Intangible Assets
GRAP 21	Impairment of non-cash-generating assets
GRAP 23	Revenue from Non- Exchange Transactions
GRAP 24	Presentation of Budget information on Financial Statements
GRAP 26	Impairment of Cash generated assets
GRAP 103	Heritage assets
IFRS 3 (AC 140)	Business Combinations
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 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:

1. New standards and interpretations

1.1 Standards and interpretations issued, but not yet effective
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after
01 July 2011 or later periods:

GRAP 18: Segment Reporting
Segments are identified by the way in which information is reported to management,
both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality.
The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region. This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.
It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits
The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:
 a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
 an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:
 Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
 Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
 Defined benefit plans as post-employment benefit plans other than defined contribution plans;
 Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
- pool the assets contributed by various entities that are not under common control; and
use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
 Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
 Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
 Post-employment benefit plans as formal or informal arrangements under which an municipality provides postemployment benefits for one or more employees;
 Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
 State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
 Termination benefits as employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits;
 Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:
 Short-term employee benefits;
- All short-term employee benefits;
- Short-term compensated absences;
- Bonus, incentive and performance related payments;
 Post-employment benefits: Defined contribution plans;
 Other long-term employee benefits;
 Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:
 Multi-employer plans;
 Defined benefit plans where the participating entities are under common control;
 State plans;
 Composite social security programmes;
 Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:
 Recognition and measurement;
 Presentation;
 Disclosure;
 Accounting for the constructive obligation;
 Statement of financial position;
 Asset recognition ceiling;
 Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
 Statement of financial performance.

The standard prescribes recognition and measurement for:
 Present value of defined benefit obligations and current service cost:
- Actuarial valuation method;
- Attributing benefits to periods of service;
- Actuarial assumptions;
- Actuarial assumptions: Discount rate;
- Actuarial assumptions: Salaries, benefits and medical costs;
- Actuarial gains and losses;
- Past service cost
. Plan assets:
- Fair value of plan assets;
- Reimbursements;
- Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality’s net assets in the event of liquidation and, to dividends or similar distributions paid at management’s discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:
- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:
- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for *example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an* municipality can however designate such an instrument to be measured at fair value.
A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:
- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:
- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:
- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:
- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

A municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
 the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
 the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

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 inventory

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.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the estimated useful lives.

Allowance for doubtful debts

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

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
use in the production or supply of goods or services or for
administrative purposes, or
sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

Costs include costs 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. 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.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at a revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.
Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revalutation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period.

The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

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

The useful lives of items of property, plant and equipment have been assessed 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 residual value, and the useful life and depreciation method of each asset are reviewed at the end of each *reporting date. If the expectations differ from previous estimates, the change is accounted for 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 is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement. Residual values have been determined for all movable assets based on the percentage cost or fair value as follows: -

10% Office furniture and equipment
20% - 30% Trucks and specialised vehicles
35% Other vehicles
40% Buses
40% Fire engines

1.4 Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

cash;
a residual interest of another entity; or
a contractual right to:
- receive cash or another financial asset from another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
- A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

deliver cash or another financial asset to another entity; or
exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

the entity designates at fair value at initial recognition; or
are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

derivatives;
combined instruments that are designated at fair value;
instruments held for trading. A financial instrument is held for trading if:
· it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
· on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for
· which there is evidence of a recent actual pattern of short term profit-taking;
· non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at
· fair value at initial recognition; and
· financial instruments that do not meet the definition of financial instruments at amortised cost or financial
· instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
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Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions	Financial asset loans and receivables at amortised cost
Trade and other receivables from exchange transactions	Financial asset loans and receivables at amortised cost
Non current investments	Financial asset measured at amortised cost
Other non current investments (shares)	Financial asset measured at amortised cost
Other	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:
`

Class	Category
Borrowings	Financial liability measured at amortised cost
Trade and other payables	Financial liability loans and receivables at amortised cost
Other	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or

non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

Financial instruments at fair value.

Financial instruments at amortised cost.

Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

combined instrument that is required to be measured at fair value; or

an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, 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. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
the contractual rights to the cash flows from the financial asset expire, are settled or waived;
the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 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 value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The following cost formulas are applied for every inventory class:

Inventory class:	Measure
Consumable stores	First-in-first-out
Water	Cost
Unsold houses	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 at cost.

1.6 Non-current assets held for sale and disposal groups

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

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

1.7 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.
Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units
If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cashgenerating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
its fair value less costs to sell (if determinable);
its value in use (if determinable); and
zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash- generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. 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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
its recoverable amount (if determinable); and
the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.8 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.
Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.
Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.
Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.
The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach
The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach
The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement
If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount.
The increase is a reversal of an impairment loss.

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 (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.9 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.

1.10 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

1.11 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

1.12 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.14 Conditional grants and receipts

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

1.15 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.15.1 Investments Held to Maturity

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

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

1.16 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.

1.17 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.

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance 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.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

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

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.
The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to note .

Figures in Rand	2 011	2 010

2. Change in Accounting Policy

The annual financial statements have been prepared in accordance with South African Statements of generally Recognised Accounting Practice on a basis consistent with the prior year except for the withdrawal of the following new or revised standards as per Directive 5 as issued by the Accounting Standard Board and for the adoption of the following new or revised standards:
* IAS 32 Financial Instruments: Presentation withdrawal
* IAS 32 Financial Instruments: Recognition and Measurement withdrawal
* IAS 19 Employee Benefits withdrawn but the municipality opted to continue till GRAP 25 becomes operative.
* IFRS 7 Financial Instruments: Disclosures withdrawal
* Policy for financial Instruments based on GRAP 104 adopted.
* Policies for Impairments based on GRAP 21 and GRAP26 adopted
* Policy for Non-exchange Transactions based on GRAP 23 adopted.

3. Inventories

	2 011	2 010
Consumable stores	1 360 235	1 959 001
Unsold properties	34 197 351	51 657
Water reservoir	425 977	256 507
	35 983 563	2 267 165
Less Inventory write down	(128 398)	(206 992)
	35 855 165	2 060 173

The Municipality has recognised purchased water stock on hand on 30 June 2011. This amount has been estimated using water in reservoirs and water networks and the different purchase prices of water.
There was a loss on inventory written off to the amount of R128 398 at 30 June 2011.
A surplus on inventory of R139 662 was register with the stock count on 30 June 2011.
No inventory pledge as security to overdraft facility.

4. Trade and other receivables from exchange transactions

	2 011	2 010
Trade and other receivables from exchange transactions	88 843 721	52 737 390
Service receivables		
Rates	56 305 993	58 853 321
Electricity	34 228 664	30 602 051
Water	218 336 211	194 000 974
Sewerage	19 850 265	21 006 360
Refuse	21 018 895	19 657 875
Less: Allowance for Debt Impairment	(260 896 307)	(271 383 192)
	88 843 721	**52 737 390**

Ageing: Trade debtors are disclose before impairment

Trade receivables:

	2 011	2 010
Rates		
Current	5 307 948	5 614 717
30 - 60 days	2 850 735	3 511 085
61 - 90 days	1 759 005	2 247 218
90 days plus	46 388 304	47 480 301
	56 305 992	**58 853 321**
Services (Electricity, Water, Sewerage and Refuse)		
Current	25 383 870	41 002 378
30 - 60 days	13 202 670	42 309 328
61 - 90 days	9 967 894	7 147 989
90 days plus	244 879 602	174 807 566
	293 434 036	**265 267 261**
Housing Rentals		
+ 365 days	-	61 805

Summary of receivables by customer classification 2011	**Consumers**	**Industrial / Commercial**	**National and Provincial Government**
Current	16 178 559	13 877 912	635 346
30 - 60 days	11 238 930	4 152 483	661 992
61 - 90 days	9 162 254	2 254 865	309 780
90 days plus	256 313 770	31 760 728	3 193 409
	292 893 513	**52 045 988**	**4 800 527**

Figures in Rand		2 011	2 010
Summary of receivables by customer classification 2010	**Consumers**	**Industrial / Commercial**	**Provincial Government**
Current	19 518 498	26 484 744	613 853
30 - 60 days	37 867 243	7 447 332	505 838
61 - 90 days	6 658 276	2 469 121	267 810
90 days plus	184 369 407	35 217 814	2 700 646
	248 413 424	**71 619 011**	**4 088 147**

Reconciliation of provision for impairment of trade and other receivables

Opening balance	271 383 192	236 831 829
Provision for impairment	7 319 007	50 531 864
Amounts written off as uncollectible	17 805 892	15 980 501
Closing Balance	260 896 307	271 383 192
	-	
	-	

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

Current	13 727 236	7 450 552
1 month past due	7 806 381	14 440 658
2 months past due	4 342 253	3 937 944
3 months past due	62 967 851	27 402 605
	88 843 721	**53 231 759**

Trade and other receivables impaired
The ageing of these receivables are as follows:

Current	11 177 622	13 938 404
1 month past due	8 247 027	31 379 756
2 months past due	7 384 651	5 457 262
3 months past due	257 218 918	242 877 292
	284 028 218	**293 652 714**

Credit quality of service receivables

The credit quality of consumers debtors that are neither past nor due nor
impaired can be assessed by reference to historical information about counter party defaults rates.
Although credit quality can be assessed the entity did not apply
any methods to evaluate the credit quality.

Consumer debtors impaired
As at 30 June 2011, consumers debtors of R287 890 784 (2010: R293 652 714)
were provided for.
Amounts totalling R17 805 892 (2010:R15 980 501) were written off as
uncollectable against the debt impairment account.
These represents 3.55% (2010:3.5%) of the total operating income for the year.
The VAT on impairment of consumers debtors are written back against VAT creditor and amount to
R23 131 910(2010/2011) and R 24 829 107(2009/2010) respectively.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period.

The municipality does not hold any collateral as security.

None of these receivables were pledged as security.

No portion is past due date or impairment.

5.Other receivables from non-exchange transactions

Sundry receivables - general	9 250 416	3 586 126
Input VAT / capital receivables	301 769	1 171 409
Conlog pre paid electricity	5 606 112	4 460 931
Mayor's Trust	315 979	315 979
Other deposits	1 386 916	611 115
Rent Prepaid	6	7
	16 861 198	**10 145 567**

Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	7 944 973	6 042 960
Provision for impairment	1 281 222	1 902 013
Amounts written off as uncollectible	-	-
	9 226 195	7 944 973

Trade and other receivables pledge as security
No portion of accounts receivable was pledged as security for any financial liabilities.
No security is held for any accounts receivable.
These amounts best represents the maximum exposure to credit risk at the end
of the reporting period, without taking into account of any collateral held or credit enhancements.

Credit quality of service receivables

The credit quality of trade and other receivables that are neither past nor due nor
impaired can be assessed by reference to external credit ratings.
information about counter party default rates. Although credit quality can be assessed the
entity did not apply any methods to evaluate the credit quality.

Fair value of trade and other receivables
Due to the short term nature of trade and other receivable they are disclosed at face value.

Figures in Rand	2 011	2 010
6. Other Financial Assets		
6.1.Long-term receivables		
Staff housing loans	8 750	11 465
The loans were discontinue, 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	-	127 527
The loan was granted to a staff member at 8.5% interest. The member has passed away. The balance is to settled as part of the estate. A claim has been submitted to ABSA.		
Loans are granted for the purchase of the land (stands).		
Consumer Debtors made long term arrangement to pay off their debt	6 593 433	2 357 784
	6 602 183	**2 496 776**
Non-current assets		
Staff housing loans	5 912	8 956
Long term debt consumers	4 183 017	2 068 569
	4 188 929	2 077 525
Current assets		
Staff housing loans	2 838	2 509
Car loans	-	127 527
Consumers	2 410 416	289 215
Current Portion of long term receivables	2 413 254	419 251
Total Long term receivables	**6 602 183**	**2 496 776**

Reconciliation of provision for impairment of other financial assets (long term receivables)

Opening balance	4 411	116 120
Provision for impairment	12 406	(111 709)
Amounts written off as uncollectible	-	-
	16 817	4 411

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

No security is held for any of the long term receivables.
No long term receivables receivables defaulted and no terms of any of the long term receivables were re-negotiated.
No portion of the long term receivables was pledge as a security for any financial liabilities.

Credit quality of trade and other receivables
The credit quality of long term receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings.
Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

No portion is past due or impairment

These amounts best represents the maximum exposure to credit risk at the end of the reporting period, without taking into account of any collateral held or credit enhancements.

Figures in Rand	2 011	2 010
6.2. Investments		
Listed Shares		
Sanlam Ltd - Money market (2011:788 230 units @ 100 cents; 2010: 668 479,35 units @ 100 cents)	788 230	668 579
Sanlam Ltd - Term annuity investment	707 942	1 026 249
Sanlam Ltd - Investment policies	5 479 065	4 960 257
	6 975 237	**6 655 085**
Council's valuation of unlisted investments		
Other deposits (Collateral housing deposits)	29 103	28 710
Total Investments	**7 004 340**	**6 683 795**
Market value of listed investments		
Sanlam Ltd	7 004 340	6 683 795
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	6 975 237	6 655 085
	6 975 237	**6 655 085**
6.3. At Fair value through profit and Loss		
Shares- fair value through profit and loss	**1 270 764**	**1 054 052**
(2011:46 109 shares@2756cents;2010:46 109 shares@2286cents)		
6.4. Investments Held to Maturity		
30 day deposits	**10 933 379**	**15 523 174**
Deposits are held at registered Financial Institutions		
Total other financial assets	25 810 666	25 757 797
Less:Total current portion other financial assets	14 617 397	16 996 477
Total non-current portion other financial assets	11 193 269	8 761 320

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to 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 2011 and 2010, as all the financial assets were disposed of at their redemption date.

7.Cash and cash equivalents

Cash and cash equivalents consist of:

	2 011	2 010
Cash on hand	5 815	5 315
Bank balances	8 127 145	
Bank overdraft	-	5 308 368
Call and 30 days deposits	27 082 075	13 975 939
	35 215 035	**8 672 886**
Current assets	35 215 035	13 937 260
Current liabilities	-	5 308 368
	35 215 035	**8 628 892**
Guarantee: Eskom as electricity deposit	990 000	990 000
Guarantee: Post Office as post deposit	80 000	80 000
	1 070 000	1 070 000

Bank balances/(overdrafts) consist of:				
Current Account (primary bank account)	-	-		
ABSA [Acc no. 520 000 038]	-	-		
Cash book balance at the beginning of year			(5 308 368)	6 319 849
Cash book balance at end of year			8 127 145	(5 308 368)
Bank balance at beginning of the year			2 893 442	8 104 495
Bank balance at end of year			5 629 482	2 893 442
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			(5 303 053)	6 325 261
Total cash book balance at end of year			8 132 960	(5 303 053)

No cash and cash equivalents (or portions thereof) were pledge as security for any financial liabilities.
No restriction exist with the regard to the use of cash.
No portion is due or impaired.

These amounts best represents the maximum exposure to credit risk at the end
of the reporting period, without taking into account of any collateral held or credit enhancements.

Credit quality of cash at bank and short term deposits, excluding cash on hand
The credit quality of of cash at bank and short term deposits,excluding cash on hand that are neither past due nor
nor impaired can be assessed by reference to external credit ratings.
Although credit quality can be assessed the entity did not apply
any methods to evaluate the credit quality.

8.Property, plant and equipment

30 June 2011	Cost / Valuation	Accumulated Impairment	Accumulated depreciation	Carrying value
Land and Buildings	212 167 757	-	(100 953 649)	111 214 108
Infrastructure	1 469 810 938	-	(830 454 370)	639 356 568
Heritage	561 000	-	-	561 000
Leasehold property	52 213 995	-	(24 545 115)	27 668 880
Other	48 291 408	-	(28 324 852)	19 966 556
Total	**1 783 045 098**	**-**	**(984 277 986)**	**798 767 112**

Reconciliation of property, plant and equipment - 2011

	Opening Balance	Additions	Impairment	Write off	Depreciation	Total
Land and Buildings	131 377 383			(13 504 055)	(6 659 221)	111 214 107
Infrastructure	633 682 395	43 474 217			(37 800 044)	639 356 568
Heritage	561 000			-	-	561 000
Assets held under finance lease agreement	42 089 390			-	(14 420 510)	27 668 880
Other	26 749 863	739 779		-	(7 523 086)	19 966 556
	834 460 031	**44 213 996**		**-**	**(66 402 861)**	**798 767 111**

30 June 2010	Cost / Valuation	Accumulated Impairment	Accumulated depreciation	Carrying value
Land and Building	238 839 433		(107 462 050)	131 377 383
Infrastructure	1 426 336 721		(792 654 326)	633 682 395
Heritage	561 000		-	561 000
Leasehold property	52 213 995		(10 124 605)	42 089 390
Other	47 551 629		(20 801 766)	26 749 863
Total	**1 765 502 778**		**(931 042 747)**	**834 460 031**

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Impairment	Write off	Depreciation	Total
Land and Buildings	138 852 337				(7 474 954)	131 377 383
Infrastructure	632 499 016	38 835 490			(37 652 111)	633 682 395
Heritage	561 000			-	-	561 000
Assets held under finance lease	14 990 044	32 466 161		-	(5 366 815)	42 089 390
Other	29 041 596	4 548 776		-	(9 840 509)	23 749 863
	815 943 993	**75 850 427**		**-**	**(60 334 389)**	**831 460 031**

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

Infrastructure Assets

During the previous financial year the municipality implemented a process to identify, record, value and manage infrastructure assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for infrastructure assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the infrastructure assets have been physically verified during the year by specialists. During this process the asset location, condition and maintenance history was recorded and evaluated.
- The assets have been valued by an independent valuer and are effective on 30 June 2009.
- Due to the specialised nature of the assets, and market availability of information, the Depreciated Replacement Cost method was used.
- A 100% verification and condition assessment was done except for storm water due to the nature of the assets and the fact that the assets are underground.
- In the case of inaccessible assets various methods were employed to record and value the assets. These assets are reflected in the asset register as "polygon assets". A polygon asset is an asset that is referenced by a geographically referenced area and the actual position and detail of the asset estimated within this geographical area.
- As the assets are maintained or a process implemented to more accurately record these assets the polygon can be broken down into detailed components.

Retrospective application of the effects of implementation of GRAP 17
- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. On initial application the municipality applied prospective application of the infrastructure assets during the 2009 financial year. This was corrected during the current financial year by applying the application retrospectively. The methodology followed for the retrospective application corrections were done as follows:

Disclosure of the asset information
- The deemed cost was determined on 30 June 2009 by using the depreciated replacement values (DRC).
- In order to apply the retrospective application as required for the infrastructure assets previously adjusted prospectively, the CPI index was used to determine the DRC values as at 2007.
- For the movable assets actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of the assets.
- The opening for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.
- During the financial year the municipality also identified and measured investment properties in terms of GRAP 16.

Movable Assets

During the current financial year the municipality implemented a process to identify, record and value movable assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for movable assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done.

Retrospective application of the effects of GRAP 17 implementation
- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

Disclosure of the asset information
- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
- The opening for the take on values of the assets as well as for accumulated depreciation is restated. This adjustment is made directly to accumulated surplus.
- Depreciation for the year has been based on the new asset values and is calculated on the straight line method.

Heritage Assets

During the current financial year the municipality implemented a process to identify, record and value Heritage assets as required in terms of GRAP 17. This resulted in a reconstructed fixed asset register for Heritage assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the movable assets have been physically verified during the year. During this process the asset location, condition, description and custodian was recorded and evaluated.
- A 100% verification and condition assessment was done.
- During the financial year the municipality identified and measured Heritage properties.

Retrospective application of the effects of GRAP 17 implementation
- The implementation of GRAP 17 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

Disclosure of the asset information
- Actual values were used where supporting information was available. For the remaining assets the DRC methodology was followed to determine the deemed cost of these assets.
- The opening for the take on values of the assets is restated. This adjustment is made directly to accumulated surplus.

9.Intangible assets

30 June 2011	Opening Balance	Additions	Disposals	Transfers	Total
Cost					
Computer Software	341 670		(278 686)		62 984
Accumulated Amortisation					
Computer Software	176 181				
Carrying Value	165 489	0	(278 686)	0	62 984

30 June 2010	Opening Balance	Additions	Disposals	Transfers	Total
Cost					
Computer Software	341 670				341 670
Accumulated Amortisation					
Computer Software	73 676	102 505			176 181
Carrying Value	267 994	(102 505)	-	-	165 489

During the current financial year the municipality implemented a process to identify, record and value Intangible assets as required in terms of GRAP 102. This resulted in a reconstructed fixed asset register for Intangible assets. The key issues in this regard were as follows:

Physical verification and valuation
- All the Intangible assets have been verified during the year. During this process the asset location and description was recorded and evaluated.

Retrospective application of the effects of GRAP 102 implementation
- The implementation of GRAP 102 is a change in accounting policy. In terms of GRAP 3 changes in accounting policies should be applied retrospectively. The methodology followed for the retrospective application corrections was done as follows:

Disclosure of the asset information
- Actual values were used to determine the cost of these assets.
- The opening for the take on values of the assets as well as for accumulated amortisation is restated. This adjustment is made directly to accumulated surplus.
- Amortisation for the year has been based on the new asset values and is calculated on the straight line method.

Intangible assets disclosed relate to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

10. Investment Property

30 June 2011

	Opening Balance	Additions	Disposals	Impairment	Transfers	Total
Cost	46 195 398		(1 955 918)		0	44 239 480
Accumulated Depreciation	0	0	0		0	0
Carrying Value	46 195 398	0	(1 955 918)	0	0	44 239 480

30 June 2010

	Opening Balance	Additions	Disposals	Impairment	Transfers	Total
	R	R	R		R	R
Cost	46 195 398					46 195 398
Accumulated Depreciation	0	0	0		0	0
Carrying Value	46 195 398	0	0	0	0	46 195 398

During the financial year the municipality identified and measured investment properties in terms of GRAP 16.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R XXX (2010 : R XXX). Investment properties have been valued in accordance with the new municipal valuation roll which became effective on XXX and has been adjusted to take into account current market conditions.

11. Other finacial liabilities

	2 011	2 010
Held at amortised cost	-	1 229 736

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 were redeemed at 30/4/2011.

	2 011	2 010
Non-current liabilities		
Long term liabilities	-	-
Current liabilities		
Current portion long term liabilities	-	1 229 736
	-	**1 229 736**

12. Finance lease obligation

	2 011	2 010
Minimum lease payments due		
- within one year	17 754 696	20 522 282
- in second to fifth year inclusive	9 759 669	27 514 365
	27 514 365	48 036 647
less: future finance charges	(2 678 972)	(6 827 515)
Present value of minimum lease payments	**24 835 393**	**41 209 132**
Present value of minimum lease payments due		
- within one year	15 626 051	16 373 739
- in second to fifth year inclusive	9 209 342	24 835 393
	24 835 393	**41 209 132**
Non-current liabilities	9 209 342	24 835 393
Current liabilities	15 626 051	16 373 739
	24 835 393	**41 209 132**

Figures in Rand	2 011	2 010

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.

13. Trade and other payables

	2 011	2 010
Trade payables	7 691 784	25 357 034
Other payables	60 836 605	19 324 722
Payments received in advance	7 325 148	13 068 941
Accrued leave pay	8 838 059	8 464 349
Accrued bonus	3 037 691	2 628 885
	87 729 287	**68 843 931**

14. Consumer deposits

	2 011	2 010
Electricity and water	9 558 303	8 340 711
	9 558 303	**8 340 711**
Guarantees in lieu of electricity and water deposits	45 300	45 300
	45 300	**45 300**

15. Unspent conditional grants and receipts

	2 011	2 010
Conditional grants from other spheres		
Municipal Infrastructure Grant	(4 522 652)	3 639 101
Department of Minerals and Energy	10 933 379	10 682 983
District Municipality - Fezile Dabi	66 695	66 695
Financial Management Grant	782	-
Provincial Government	694 895	1 134 395
	7 173 099	**15 523 174**
Other Conditional Receipts		
SETA	1 186	1 186
Public Contribution - Sasol Chemical Industries	43 061	43 061
	44 247	**44 247**
	7 217 346	**15 567 421**

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

See Note 19 for reconciliation of grants from National/Provincial Government.
These amounts are invested in a ring-fenced investment until utilised.
Refer to Appendix F for more detail on grants form National/Provincial Government

16. Provisions

Performance bonus	2 011	2 010
Opening Balance	-	-
Additions	765 743	-
Utilised in year		-
Closing Balance	**765 743**	**-**

17. VAT Liability

	2 011	2 010
Amount payable	9 181 456	7 765 634

VAT is payable on the pmt basis. VAT is only declared to SARS on receipt of
of payment from consumers.

18. Provision (Non-current)

18.1.Post Employment Health Care Benefits

	2 011	2 010
Balance at beginning of year	18 097 600	16 803 798
Current-service cost	463 254	409 306
Interest cost	1 608 798	1 508 427
Actuarial (Gain)/Loss	3 776 955	230 661
Employer Benefit Payments	(947 184)	(854 592)
Balance at end of year	**22 999 423**	**18 097 600**

Figures in Rand	2 011	2 010

Continue Medical aid membership
Metsimaholo Municipality employees contribute to accredited medical schemes

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

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.

The Projected Unit Credit Method has been used to value the liabilities.

Key Financial Assumptions
The table summarised the financial assumption used.

Assumption	**Value p.a**	
Discount Rate	8.43%	9.12%
Health care cost inflation rate	7.24%	7.18%
Non effective discount rate	1.11%	1.81%

The next contribution rate increase is assumed to occur at 1 January 2012

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%

Average retirement age	65
Continuation of membership at retirement	70%
Proportion assumed married at retirement	70%
Mortality during employment	SA 85-90
Mortality post-retirement	PA90-1 ultimate

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Number eligible members	81	1
Number of pensioners	53	51

Summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	**Change**	**In-service**	**Continuation**	**Total**	**% change**
Central Assumptions		8.955	14.044	22.999	
Health care inflation	1%	10.956	15.43	26.386	15
	-1%	7.377	12.84	20.216	(12)
Post-retirement mortality	-1 yr	9.27	14.638	23.907	4
Average retirement age	-1 yr	9.576	14.044	23.621	3
Withdrawal Rate	-50%	9.6	14.044	23.644	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.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 15% higher than that shown.

Figures in Rand	2 011	2 010
18.2 .Long term Service Awards		
Balance at beginning of year	23 926 824	21 952 932
Current-service cost	1 883 497	1 810 842
Interest cost	1 868 190	1 456 777
Actuarial (Gain)/Loss	1 328 305	(77 699)
Employer Benefit Payments	(1 395 880)	(1 216 028)
Balance at end of year	**27 610 936**	**23 926 824**

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

	Female	Male	Total
Number of eligible employees	219	516	735
Average annual salary	117 173	243 474	205 842
Salary-weighted average age	41.5	45.4	44.7
Salary-weighted average past service	10.2	17.9	16.6

Metsimaholo Municipality offers employees Long Service Awards for every 5 years of services completed. There is two policies in place.

Completed Service (in years)	Long Service Bonuses %Annual Salary	Description
5	4.0%	(5/250+2%) x annual salary
10	7.0%	(10/250+3%) x annual salary
15	10.0%	(15/250+4%) x annual salary
20	11.0%	(15/250+5%) x annual salary
25,30,35,40,45	12.0%	(15/250+6%) x annual salary

735 Employees benefit from this policy

Special Leave Pay
77 of the employees receive an additional six days of annual leave once they reach the five years of service.

Retirement Gifts
283 employees are entitled to receive a retirement gift of 2% of annual salary at retirement.
Employees must have at least 20 years of service to be eligible for the benefit.

The Projected Unit Credit Method has been used to value the liabilities.

Correction of error: refer to note 37
Adjustment amounting to R23 926 824 were made in respect of long service awards.

Key Financial Assumptions
The table summarised the financial assumption used.

Assumption	**Value p.a**
Discount Rate	7.17%
Health care cost inflation rate	5.85%
Non effective discount rate	1.24%

The salaries used in the valuation include an assumed increase in July 2011 of 6.08%
The next salary increase was assumed to take place in July 2012.

Average retirement age	65
Mortality during employment	SA 85-90

Withdrawal from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	>55	0%	0%

Summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	Liability	% change
Central Assumptions		27.611	-
General Salary inflation	1%	29.446	7%
	-1%	25.955	-6%
Average retirement age	-2 yrs	24.63	-12%
	2 yrs	28.393	3%
Withdrawal Rates	-50%	31.137	12%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than that shown.

Figures in Rand

19. Property rates

Actual	2 011	2 010
Residential	53 218 856	48 130 299
Commercial	7 411 987	6 405 882
Industries	17 729 144	13 032 273
Farm	5 414 872	6 612 676
State	5 909 419	3 407 982
Sub-total	89 684 278	77 589 112
Less Forgone income	(9 491 027)	(6 612 348)
	80 193 251	**70 976 764**

Valuations	**R,000**	**R'000**
Residential	9 510 746	9 641 502
Commercial	609 706	727 879
Heavy/Light industries	1 016 700	962 429
State	484 020	513 022
Municipality	389 658	370 037
Agriculture	631 810	627 290
Churches	93 733	90 262
Public benefit organisations/Service Infrastructure	64 871	60 638
Allocated ,unregister stands	1 950 969	1 624 733
	14 752 213	**14 617 792**

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

The following properties are exempted from Property Rates:
Properties owned by religious body or organisation and residential property occupied by a minister of religion in full time of service of such a church.
Road Reserves
Railway Reserves

Rates are levied on a monthly basis, except farmland that is levied on an annual basis.
Interest at prime plus1% is lenied on ratesoutstanding after due date for payment.

Sasolburg / Zamdela

Residential:	
- Sasolburg	0.00572 cents per Rand
- Zamdela	0.00572 cents per Rand
Commercial	0.01145 cents per Rand
Light Industries	0.02862 cents per Rand
Heavy Industries	0.02862 cents per Rand
State	0.01145 cents per Rand

Deneysville/Refengkgotso/Phomolong

Residential:	
Deneysville	0.00572 cents per Rand
Businesses	0.01145 cents per Rand
State	0.01145 cents per Rand
Refengkgotso	0.00572 cents per Rand

Oranjeville / Metsimaholo

Residential:	
-Oranjeville	0.00572 cents per Rand
Businesses	0.01145 cents per Rand
Metsimaholo :	
Residential	0.00572 cents per Rand
Businesses	0.01145 cents per Rand
State Property	0.01145 cents per Rand

Farmland	
Residential	0.00215 cents per Rand
Businesses	0.00429 cents per Rand
Industries	0.010733 cents per Rand
Private owned towns, Body Corporate, Sectional Titles	0.00215 cents per Rand
Mining	0.010733 cents pe
Agricultural	0.001073 cents per Rand

Figures in Rand	2 011	2 010
20. Service charges		
Sale of water	141 937 050	128 587 782
Sale of electricity	145 000 183	112 191 259
Refuse removal	24 019 555	16 514 235
Sewerage and sanitation charges	20 005 470	15 102 483
Sub total	330 962 258	272 395 759
Less: Forgone Income	(28 668 638)	(12 234 606)
Water	(15 227 482)	(1 250 200)
Electricity	(11 757 742)	(9 593 545)
Sewerage and sanitation	(1 683 414)	(1 390 861)
	302 293 620	**260 161 153**

21. Government grants and subsidies

Equitable share	79 048 032	62 784 760
Financial Management Grant	1 000 000	750 000
Provincial Government	-	13 195
District Municipality: Fezile Dabi	97 000	
Department Minerals & Energy	2 749 604	3 590 866
Department of Water Affairs and Forestry	1 120 000	1 227 000
Sasol Chemical Industries	-	
Provincial Government	-	148 000
Provincial Government Municipal Infrastructure Grant	40 457 754	22 953 540
Municipal Systems Improvement Grant	750 000	735 000
	125 222 390	**92 202 361**

Equitable Share	79 048 032	62 784 760

Equitable share was received in terms of section 214(1) of the Constitution (Act No. 108 of 1996).
A Council Resolution was taken to use some of the grant for free basic services to residents.
Households receive 6kl water, 50 kWh electricity and basic sewer per month
plus 4kl water, additional sewer,refuse and R60 per month on Rates to approved indigents.

Financial Management Grant

Balance unspent at beginning of the year	-	-
Current year receipts	1 000 000	750 000
Conditions met - transferred to revenue	(999 217)	(750 000)
	783	**-**

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	97 000	
Conditions met - transferred to revenue	(97 000)	
	66 695	**66 695**

Contribution received from Fezile Dabi Districts Municipality
on the Integrated Development Plan

Figures in Rand	2 011	2 010
Department of Minerals & Energy		
Balance unspent at beginning of the year	10 682 983	2 773 851
Current year receipts	3 000 000	11 500 000
Conditions met - transferred to revenue	(2 749 604)	(3 590 868)
	10 933 379	**10 682 983**

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

Department of Water Affairs and Forestry		
Current year receipts	1 120 000	1 227 000
Conditions met - transferred to revenue	(1 120 000)	(1 227 000)
	-	**-**

Funds for waterworks at Deneysville restated.

Provincial Government		
Balance unspent at beginning of the year	1 134 395	632 590
Current year receipts	-	515 000
Conditions met - transferred to revenue	(439 500)	(13 195)
	694 895	**1 134 395**

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	43 061	43 061
Current year receipts	-	
Conditions met - transferred to revenue	-	
	43 061	**43 061**

Chairs Theatre (07/08).

Provincial Government Municipality Infrastructure Grant		
Balance unspent at beginning of the year	3 639 101	2 369 641
Current year receipts	32 296 001	24 223 000
Conditions met - transferred to revenue	(40 457 754)	(22 953 540)
	(4 522 652)	**3 639 101**

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	750 000	735 000
Conditions met - transferred to revenue	**-**	**(735 000)**

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.

22. Other income

Consists of the following material items:		
Building plan fees	219 841	250 682
Cemetery fees	195 266	207 453
Clearances and Valuations	177 186	163 342
Connection fees	1 673 900	1 657 804
Entrance fees Abrahamrust	864 602	468 051
Levies: Refuse dumpyard	491 336	867 897
Income - Legal costs	1 350 431	665 338
Non payment fees	1 545 819	1 947 447
Private Telephone calls	344 922	243 635
Sport meetings	225 066	174 505
Training Income	344 408	665 338
Other income	1 159 093	2 991 333
	8 591 870	**10 302 825**

23. Employee related costs

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

Figures in Rand	2 011	2 010
Total employee costs:		
Salaries and wages	88 024 505	76 332 007
Council contributions - UIF, pension, medical, group Ins.	22 694 933	19 676 431
Travel, motor car, accommodation and subsistence allowance	7 057 184	6 423 846
Housing benefits and allowance	783 963	972 030
Overtime payments	12 552 541	11 415 396
Bonus	6 489 718	5 593 006
Provision for Performance bonus	765 743	-
Contribution post retirement	1 124 868	1 063 141
Contribution long service awards	2 355 807	2 051 591
	141 849 262	**123 527 448**

Remuneration of Municipal Manager		
Annual remuneration	741 870	528 934
Acting Allowance	18 875	200 718
Car allowance	235 599	140 317
Contributions - UIF,pension, medical, group insurance.	-	6 515
Travel, motor car, accommodation and subsistence allowance	3 558	-
Provision for Performance Bonus	151 872	-
Other remuneration	115 951	275 672
	1 267 725	**1 152 156**

Remuneration of Chief Financial Officer		
Annual remuneration	595 942	549 357
Car allowance	237 478	220 794
Contributions - UIF,pension, medical, group insurance.	-	-
Travel, motor car, accommodation and subsistence allowance	-	-
Provision for Performance Bonus	120 131	
Other remuneration	34 528	31 828
	988 079	**801 979**

Remuneration of Directors

2011	**Technical services**	**Corporate Services**	**Social Services**	**Economic Development**
Annual remuneration	544 581	595 944		
Acting allowance			272 958	421 500
Car allowance	149 237	229 278		
Provision for Performance Bonus	108 057	120 131	137 603	127 948
Other	83 256	34 525		
	885 131	**979 878**	**410 561**	**549 448**

2010	**Technical services**	**Corporate Services**	**Social Services**	**Economic Development**
Annual remuneration	418 209	537 358	438 408	131 340
Acting allowance	34 216		7 544	184 150
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**

No performance bonuses were paid.

24. Remuneration of Councillors

Executive Mayor	455 935	440 732
Speaker	328 424	358 738
Mayoral Committee Members	2 366 823	2 190 121
Councillors	3 947 317	3 579 241
Councillors' pension contribution	145 765	245 775
Councillors' medical contribution	170 138	59 908
Telephone allowance	476 562	457 309
Travelling allowance	1 891 636	1 678 622
Re-imburse travelling allowance	110 292	286 085
Councillors' UIF contribution	30 057	
	9 922 949	**9 296 531**

Other 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.

25. Debt Impirment

Trade and other receivables from exchange transactions	7 319 006	50 531 864
Other receivables from non-exchange transactions	1 281 222	1 902 013
Other Financial assets	12 406	(111 709)
Provision Bad debt VAT adjustment	-	19 858 243
	8 612 634	72 180 411

Figures in Rand	2 011	2 010
26. Bulk purchases		
Electricity	96 338 385	77 751 370
Water	64 039 247	55 505 718
	160 377 632	**133 257 088**

27. Grants and subsidies paid		
Grant to community chest	-	20 000
Donations Schools	110 000	-
Equitable share	15 427 736	4 976 260
	15 537 736	**4 996 260**

Council contributes annually to the community chess(2009/2010). One of the Mayoral Committee members sits on the Governing body of the community chest.
Equipment was purchase and donated to schools

Equitable share is used to subsidise registered indigents.

28. General expenditure		
Advertising	602 035	282 536
Audit fees	3 336 769	2 775 885
Bank charges	1 273 549	1 265 710
Books and Magazines	232 177	37 950
Bursaries	396 419	132 496
Computer systems	490 604	437 266
Conference and delegations	624 924	574 804
Connection charges	554 697	599 514
Consulting and professional fees	5 360 507	5 974 255
Departmental consumption	2 877 134	7 410 657
Entertainment	505 653	582 004
Financial management grant	-	45 500
Fuel and oil	3 836 572	3 537 805
Insurance premium	1 570 161	1 277 896
Legal fees	2 497 917	1 514 810
License fees vehicles	159 842	144 325
Marketing	82 500	106 200
Membership fees	807 187	670 999
Postage	1 139 929	1 137 458
Printing and stationery	1 087 887	875 884
Publicity	101 390	15 000
Public Programme	4 699 799	2 392 535
Rental: External equipment	221 454	79 727
Sewerage treatment charges	10 970 601	14 654 872
Skills development levy	1 151 841	975 821
Stock and materials	1 064 197	2 183 254
Tea and Coffee	57 952	36 254
Telephone expense	3 132 510	2 894 815
Training	472 469	884 707
Transport claims	477 915	174 521
UIF Councillors	80 005	102 320
Uniforms	686 674	640 322
Valuation costs	272 279	966 759
Ward committee expenses	215 540	64 817
Waterworks DWAF	263 638	119 742
Youth Programme	-	690 330
Other general expense	500 521	1 444 310
	51 805 248	**57 704 060**

29. Finance costs		
Finance lease	4 332 339	2 630 595
Loan cost	63 005	216 282
Eskom	341	1 584
Rand Water	16 367	
Telkom	14 131	12 750
Auditor General	214 206	3 117
Huge telecom	105	5 605
SARS	-	63 332
Inca Fin	228	
Free State Provincial Government (Licence Fee)	1 228	
	4 641 950	**2 933 265**

Figures in Rand	2 011	2 010
30. Cash generated from operations		
(Loss) profit before taxation	36 815 069	(6 896 593)
Adjustments for:	-	(20 412 917)
Depreciation and amortisation	66 505 368	57 436 894
Loss on disposal of fixed assets	15 459 973	83 481
Loss on stock written off	128 398	206 992
Gain on disposal of fixed assets	-	-
Gain on stock written off	(139 662)	
Provision Employee benefits	8 585 935	
Performance bonus	765 743	
Contribution Bad debts	8 612 634	72 180 411
Contribution on current provision	782 516	25 220 626
Operating surplus before working capital changes	137 515 974	127 818 894
Changes in working capital:		
(Increase)/decrease in Inventories	361 966	44 143
(Increase)/decrease in consumer debtors	(43 425 338)	(72 178 412)
(Increase)/decrease in other receivables	(7 996 852)	(5 895 421)
Increase/(decrease) in VAT	1 415 822	1 198 488
Increase/(decrease) in conditional grants	(8 350 075)	9 680 398
Increase/(decrease) in trade and other payables	18 102 840	9 126 326
Increase/(decrease) in consumer deposit	1 217 592	946 067
Net cash from operating activities	**98 841 929**	**70 740 483**

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

Contributions to SALGA

Council subscriptions	797 731	725 430
Amount paid - current year	(797 731)	(725 430)

VAT

VAT output payables and VAT input receivables are shown in Note 17

Audit fees

Opening balance	2 030 792	1 462 582
Current year audit fee	3 847 551	2 758 075
Interest	214 205	3 117
Amount paid - current year	(3 646 221)	(2 192 982)
	2 446 327	**2 030 792**

PAYE and UIF

Current year payroll deductions	29 649 768	14 783 039
Amount paid - current year	(29 649 768)	(14 783 039)
	- -	

Pension and Medical Aid Deductions

Current year payroll deductions	35 332 759	31 472 906
Amount paid - current year	(35 332 759)	(31 472 906)

Councillor's arrear accounts			
L R Chebase (Acc no 601490)	Handed over	18 816	17 757
S Holt (Acc no 794737)	Arrangements	6 151	-
M W Khonto (Acc no 528629)		7 968	7 861
S B Khunou (Acc no103351)	Indigent	760	13 451
M D Nthebe (Acc no 104154)	Arrangements	69 399	63 201
T J Mofokeng (Acc no 511539)		4 614	3 879
M M Mosia (Acc no 555731)		5 747	3 530
D N Motloung (Acc no. 510127)	Arrangements	4 824	7 263
S Moreki (Acc no 526465)	Owner deceased	10 614	9 279
M Msimanga (Acc no 556692)	Handed over	14 673	10 655
J M Phepheng Lelahla (Acc no 102107)		3 754	3 547
C S Phoofolo (Acc no 560704)	Arrangements	7 933	5 256
M S Poho (Acc no 512681)		1 433	234
N A Radebe (Acc no 526972)		1 669	543
M N Sejaki (Acc no 6012077)	Arrangements	31 217	23 962
M A Tamane (Acc no 551238)	Arrangements	1 865	1 569
		191 437	171 987

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

Figures in Rand	2 011	2 010

Supply Chain Management Regulations
In terms of Section 36 of the Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Quotations received outside the official procurement process	1 932 869	

More detail available in note 36

32. Commitments
Capital Commitments
Already contracted for but not provided for

Infrastructure	16 613 398	34 910 670
This expenditure will be financed from:		
- Government grants	16 613 398	34 910 670

Operating Lease Government Garage

Minimum lease payments due		
- within one year	1 107 793	-
- in second to fifth year inclusive	3 013 502	-
- later than five years	317 772	-
	4 439 067	

Operating lease payment represent rentals payable by the municipality for certain of its motor vehicles. Leases for motor vehicle are negotiate for an average of seven years and rentals fixed for the full term of the lease.
The contingent rental of R87 920 was paid during the year.

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
	6	**7**

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.

33. 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.

The latest available actuarial valuation of SAMWU Provident Fund indicate that the fund is fully funded by assets of R 511 million as on 30 June 2005.
Free State Provident Fund is fully funded with assets worth R579 011million and liabilities of R15 175 millions on 30 June 2010.

Some employees of various municipalities belongs to the SALA Pension Fund. The latest actuarial valuation of SALA Pension Fund was on 1 July 2010. These valuations indicate that the fund is 96% funded. The estimated liability of the fund is R7 417.90 million which is financed by assets worth R7 110 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.

The Free State Municipal Pension Fund last valuation was performed at 30 June 2005 with nett assets available R 1 530 million and total liabilities of R 1 308 million.

The actuarial valuation and figures above are latest information available.

34. 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.

Figures in Rand	2 011	2 010
35. Reconciliation of Budget Surplus/Deficit with the surplus/deficit in Statement of Performance		
Net Surplus/ (Deficit) per Statement of Performance	36 815 069	(34 106 479)
Adjusted for:		
Fair Value Adjustment	(216 712)	(257 198)
Impairments recognised/ Reversed	(31 387 366)	34 180 411
Surplus/Deficit on on inventory	(11 264)	290 473
Loss on demolish of Hostel	5 042 939	2 317 517
Loss on Actuarial Valuation	5 105 260	233 080
Revenue deviation	1 696 048	11 586 778
Expenditure deviation	(33 599 914)	(41 090 764)
Net surplus/(Deficit) per Approved Budget	(16 555 940)	(26 846 182)

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E.
The Capital expenditure budget is set out in Appendix E

36. Related parties

Relationships

Councillor's interest	Asazi Funeral Parlour
	Asazi Inn
	Auburn Avenue Trading 70
	Batjha Ba Kopane Trading
	Corpclo 393
	Expanje Onthaal Dienste
	Grej Civil Mechanical and General Construction
	Izinkokeli Investment Company
	Jeshurun Construction and Projects
	Mahlohlojane Trading Enterprise
	Maitsokolla Trading and Projects
	Mamohato Construction
	Mathoma Resource Management
	Metsimaholo Labour Consultants
	Modise Meat Suppliers
	Momsi Construction
	Mona Drukensberg 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 employees	Refer to note 32
Executive Council Members	Refer to note 22

Related party transactions

Purchases from related parties		
Mamohato Construction CC	-	319 193
Modise Meat Suppliers	27 740	-
	27 740	**319 193**

At the time of preparation on the Financial Statements no transactions were incurred with the above related parties.

37. Unauthorised, irregular, fruitless and wasteful expenditure

FRUITLESS AND WASTEFULL EXPENDITURE

Reconciliation of fruitless and waste less expenditure		
Opening balance	5 555 359	4 427 298
Fruitless and wasteful expenditure current year	141 749	1 128 061
Condoned by Council	(113 519)	-
	5 583 589	**5 555 359**

Figures in Rand

37.1.Fruitless and wasteful expenditure during previous and current year

Incident	Actions taken	2 011	2 010
Interest on Eskom	Payment was made Report to Council	-	1 423
Suspended Employees	Two employees won their case in CCMA Report to Council	-	974 319
Bursaries	Bursaries were paid out but students did not completed the studies Report to Council	-	24 899
Penalties and interest on VAT	Late payment was made Report to Council	-	63 332
Interest on Telkom	Late payment was made Report to Council	-	12 750
Interest on Huge Telecom	Late payment was made Report to Council	-	5 605
Interest on Auditor General	Arrangements made for payments Report to Council	-	3 117
Jampe Construction	Overpayments To be report to Council		38 952
Ms T M Tladi	Motor vehicle damaged during strike To be recover from SAMWU	17 359	
Ms P Tshabalala	Motor vehicle damaged during strike To be recover from SAMWU	740	
TELKOM	Interest Late payment Report to Council	14 131	
Huge Telekom	Interest Late payment Report to Council	105	
ESKOM	Interest Late payment Report to Council	310	
Free State Province	Interest on licence fees Report to Council	1 228	
Inca Fin	Interest on copy cost(BHR) Report to Council	228	
ESKOM	Interest Housing O/V Report to Council	31	
Marena Printers	Budget books(wrong document submitted) Report to Council	62 616	
Employees	Employees that participate in the SAMWU strike during January 2011. No information available to determine the amount. To be reported to Council		
Park Travel	Missed flight re-issued and change fee To be reported to Council		3 664
Chromatic Productions	Show never took place although payment was made Report to Council	5 000	
Lundi	Artist did not performat theatre To be reported to Council	40 000	
		141 749	**1 128 061**

The following fruitless and waste full expenditure is approved Council:

Interest Imaging Catering (2006/2007)	Interest charged on payment delayed due to cash flow problems Amount irrecoverable and be written off	1 950
Bank overdraft (2007/2008)	Interest charged to authorised overdraft due to cash flow problems Amount irrecoverable and be written off	111 569
		113 519

37.2.Unauthorised expenditure

		2 011	2 010
Reconciliation of irregular expenditure			
Opening balance		4 029 087	1 029 043
Irregular expenditure current year		1 852 001	3 000 044
Condone		(625 581)	
		5 255 507	4 029 087
Incident	**Actions taken**		
Executive Mayor	Limit of credit card exceeded	:	0
MM	Limit of credit card exceeded		436
Speaker (previous)	Limit of credit card exceeded		11 436
Speaker	Limit of credit card exceeded		1 492
Employees	Staff appointed in positions that is not on approved structure Report to Council	1 407 033	120 385
Employees	Staff act in positions that is not on approved structure Report to Council	444 968	121 385
Datacentrix	Debit order exceeds contract with Datacentrix/ Computer Ink and Media solutions Report to Council	0	2 744 910
		1 852 001	**3 000 044**
The following unauthorised expenditure (2008/2009) is reported to Council			
Bad Debts			56 080 683
Provisions			1 494 531
General Expenditure			1 822 436
Finance Cost			3 987 835
			63 385 485
The following unauthorised expenditure is approved Council:			
Valuation Roll(2006/2007)	Additional appointment(Mr Notsi was not part of contract) Amount irrecoverable and be written off	499 265	
Fencing of dumpsite(2008/2009)	Variation order to unforeseen circumstance. Amount irrecoverable and be written off	126 316	
		625 581	

37.3. IRREGULAR EXPENDITURE

		2 011	2 010
Reconciliation of irregular expenditure			
Opening balance		28 565 577	8 734 299
Irregular expenditure current year		9 546 992	20 939 733
Condone		(1 108 455)	
		38 112 569	**28 565 577**

Irregular expenditure previous and current year

Incident	**Actions taken**	2 011	2 010
Minolta	Photocopiers tender procedure not followed Investigation in process Report to Council	6 387 752	7 574 754
Various Service Providers	Procurement Principle of 80/20 point formula not apply for procuremnet between R30 000 and R200 000 Report to Council	-	2 506 303
Executive mayor	Credit card expenditure not in line with Policy		
Municipal Manger	Credit card expenditure not in line with Policy		616
Previous Speaker	Credit card expenditure not in line with Policy		23 686
Speaker	Credit card expenditure not in line with Policy		2 888
Various service providers	Original tax clearance certificates for the winning providers were not obtained, as well as no declaration made when supplier apply to be listed as accredited supplier. Report to Council		7 165 372
Lesedi Consultants	Procurement procedures not follow on appointment of service provider. Report to Council		1 395 393
Tshwanelo Trading Enterprise	Awards to service provider who are in the service of the State. Report to Council		134 680
Abelanang trading & projects	Awards to service provider who are in the service of the State. Original tax clearance certificates for the winning providers were not obtained, as well as no declaration made when supplier apply to be listed as accredited supplier. Report to Council		572 357

Figures in Rand		2 011	2 010
BBE Trading 4	Awards to service provider who are in the service of the State. Report to Council		456 100
Steadfast engineering	Original tax clearance certificates for the winning providers were not obtained. Report to Council		144 406
Lebea & Associates Attorneys	No declaration made when supplier apply to be listed as accredited supplier. Report to Council		36 030
L J Events and Marketing Solutions	Three quotations were not obtained. Original tax clearance certificates for the winning providers were not obtained, as well as no declaration made when supplier apply to be listed as accredited supplier. Report to Council		133 000
Tshwanelo Trading Enterprise	Awards to service provider who are in the service of the State. Report to Council	1 368 000	
Abelanang trading & projects	Awards to service provider who are in the service of the State. Report to Council	211 958	
Ukwasie Force	Contract amended but not following proper procedures To be reported to Council		794 149
Chippa Waste Management	Appointment made without following proper procurement procedures Report to Council	332 310	
Mothepu General Services	Appointment made without following proper procurement procedures Report to Council	873 191	
J M Industries	Appointment made without following proper procurement procedures To be reported to Council	109 404	
STONES Plant Hire	Appointment made without following proper procurement procedures Report to Council	159 869	
Employees Housing	Payment made back dated on Housing subsidy. Request to made within prescribe period. To be reported to Council	104 508	
		9 546 992	**20 939 733**

The following irregular expenditure is approved Council:

Jacobsco	Inadequate quotations Amount irrecoverable and be written off Measures introduce to rectify and prevent further incurrence of this expenditure	722 041	
Zenfer	No tender Amount irrecoverable and be written off Measures introduce to rectify and prevent further incurrence of this expenditure	386 414	
		1 108 455	

38. 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.

Figures in Rand	2 011	2 010

39. Prior period errors

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

1) Data centrix is included as a Finance Lease.
The comparative figure for the year prior to 2011 has been restated as follows:

Decrease in PPE		(3 253 223)
Increase in PPE lease		32 466 161
Increase in Lease liability		(32 466 161)
Decrease in Lease liability		2 293 683
Net effect on Statement of Financial Position		(959 540)
Increase inFinance charges		959 540
Net effect on Accumulated surplus		(959 540)

2)Corrections made to Payments in advance.
The comparative figure for the year prior to 2011 has been restated as follows:

InceaseAccumulated Surplus (Fines)(before 2010)		(733 721)
Increase in Accumulated Surplus (sale of land) (before 2010)		(26 618)
Decrease in Payment in advance(other payables)		1 052 288
Net effect on Statement of Financial Position		291 949
Increase in Fines		(295 484)
Decrease in Other income (Fire)		3 535
Net effect on Accumulated surplus		(291 949)

3)Provision is made for Long service awards (Employee benefits)

Decrease in Accumulated surplus(empolyee cost) (before 2010)		21 952 932
Increase in Provision Employee Benefit		(23 926 824)
Net effect on Statement of Financial Position		(1 973 892)
Increase in Employee Remuneration		1 820 930
Increase in Loss of actuarial valuation		152 962
Net effect on Accumulated surplus		1 973 892

4)Unclaimed deposits were transfer

Increase in Accumulated surplus(before 2010)		(16 595)
Decrease in Other payables		16 595
Net effect on Statement of Financial Position		-

5)Unmetered water and electricity consumption adjusted

Increase in Consumer debtors		3 546 904
Net effect on Statement of Financial Position		3 546 904
Increase in Service Charges Water		(1 568 272)
Increase in Service Charges Electricty		(1 978 632)
Net effect on Accumulated surplus		(3 546 904)

6)Traffic fines corrected as Copper Moon is not a joint venture

Increase in Contracted Service Fines		1 984 542
Increase in Fines		(1 984 542)
Increase in Fines		(1 490 136)
Decrease in Interest debtors		1 490 136
Net effect on Accumulated surplus		-

7)VAT correction on invoices

Decrease in VAT		113 676
Decrease in Accumulated surplus VAT(before 2010)		230 480
Net effect on Statement of Financial Position		344 156
Increase in Maintenance Sewer		9 579
Decrease in General expenditure		(353 735)
Net effect on Accumulated surplus		(344 156)

Figures in Rand	2 011	2 010
8) Provision for Ukwasi Force 2009/2010 for higher price in contract		
Increase in Other payables		(794 151)
Net effect on Statement of Financial Position		(794 151)
Increase in Contracted service		794 151
Net effect on Accumulated surplus		794 151
9) Consumer debtors that made arrangements for longer than 12 months, reclassified as Long term Debtors		
Decrease in Consumers		(2 357 784)
Increase in Long term Debtors		2 357 784
Increase in Accumulated surplus (before 2010)		(1 010 806)
Decrease in Provision Bad Debt		1 863 415
Net effect on Statement of Financial Position		852 609
Decrease in Contribution Bad debt		(852 609)
Net effect on Accumulated surplus		(852 609)
10)Provision for UIF of Councillors		
Increase in Trade and other Payables		(102 319)
Decrease in Trade and other payables		26 952
Decrease in Other receivables		(13 476)
Net effect on Statement of Financial Position		(88 843)
Increase in General Expenditure UIF		102 319
Councillor remuneration UIF		(13 476)
Net effect on Accumulated surplus		102 319
11) Departmental Charges		
Decrease in Consumers		(4 470 617)
Net effect on Statement of Financial Position		(4 470 617)
Increase in Departmental Charges		4 470 617
Net effect on Accumulated surplus		4 470 617
12) Rental adjust of staff		
Decrease in Sundry Debtor		(13 137)
Increase in Accumulated surplus (rental income) (before 2010)		13 137
Net effect on Statement of Financial Position		-
13) Adjust accruals		
Increase in Trade and other payables		(363 483)
Accumulated surplus (before 2010)		6 211
Net effect on Statement of Financial Position		(357 272)
Increase in General expenditure		207 611
Increase in Employee Remuneration		150 277
Increase in Sundry income		(616)
Net effect on Accumulated surplus		357 272
14) Investment adjustment		
Decrease in Investments		(252)
Net effect on Statement of Financial Position		(252)
Increase in Interest		252
Net effect on Accumulated surplus		252
15) Adjustments on Receivables		
Increase in Other receivables		32 128
Net effect on Statement of Financial Position		32 128
Decrease in General expenditure		(7 000)
Decrease in Employee Remuneration		(25 128)
Net effect on Accumulated surplus		32 128
16)Housing Fund		
Increase in Creditor		(11 320)
Net effect on Statement of Financial Position		(11 320)
Decrease in Sale of land		11 320
Net effect on Accumulated surplus		11 320

Figures in Rand	2 011	2 010
17)Tembalethu hostel		
Decrease in Accumulated surplus(rental income) (before 2010)		13 500
Decrease in Consumers		(54 000)
Net effect on Statement of Financial Position		(40 500)
Decrease in Rental Income		40 500
Net effect on Accumulated surplus		40 500
18) Opening balance of general ledger		
Increase in Unspent Grants		(317 821)
Decrease in Accumulated surplus		317 821
Net effect on Statement of Financial Position		-
19) Provision for leave		
Decrease in Provision leave Other payables		462 136
Net effect on Statement of Financial Position		462 136
Decrease in Contribution leave		(462 136)
Net effect on Accumulated surplus		(462 136)
20) Stale cheques		
Increase in Accumulated surplus (before 2010)		(15 605)
Other payables		15 605
Net effect on Statement of Financial Position		-
21) Restated fair value		
Increase Service charges		(3 138 336)
Decrease Interest on debtors		3 116 182
Increase General expenditure		2 801 552
Decrease Finance Charges		(2 779 488)
Net effect Fair value		(90)
22)Asset Register GRAP 17 compliant		
Increase in PPE		516 974 759
Accumulated surplus take on		(574 411 353)
Net effect on Statement of Financial Position		(57 436 594)
Depreciation		57 436 894
Net effect on Statement of Financial Position		57 436 894
Statement of financial performance 2008/2009		
Accumulated surplus		20 730 736
Accumulated surplus		(574 411 353)
PPE		459 538 165
Trade and Other Payables		786 328
Provision Employee Benefit		(21 952 932)
VAT		(230 480)
Unspent Conditional Grants		(317 821)
Longterm Receivables		1 283 668
Consumers		(1 297 168)
Provision Bad debt		1 010 806
Sundry Debtors		(13 137)
		(114 873 188)
Statement of financial position		
Property, Plant and equipment		29 212 940
Property, Plant and equipment		(57 436 594)
Long Term Receivables		1 074 116
Trade and other receivables		18 655
Investment		(253)
Consumer Debtors		(2 038 329)
Provision for Bad Debt		852 609
Finance lease liability		(30 172 478)
Trade and Other Payables		(484 026)
VAT Payable	-	344 156
Provision Employee Benefit	-	(1 973 892)
	-	**(60 603 096)**
Statement of financial performance		
Service charges		(6 685 240)
Other income		2 919
Interest Debtors		4 606 571
Fines		(3 770 162)
Rental income		40 500
Gains on Sale of Land		11 320
Employment remuneration		1 946 076
Councillors' Remuneration		(13 476)
Contribution Bad Debts		(852 608)
Depreciation		57 436 594
Contracted services		2 778 693
Repair and Maintenance		9 579
General Expenditure		7 119 042
Councillors' UIF General expenditure		102 320
Increase in provision		(462 136)
Finance charges		(1 819 948)
Loss Actuarial Valuation(Medical Aid)		152 962
Fair value		90
		60 603 096

Figures in Rand	2 011	2 010
40. Contingencies		
Housing Loans		
Guarantees for housing loans to employees at financial institutions	29 103	28 710
CCMA case		
Settlement on dismissal of employee	214 761	
Case: Yolanda Labuschagne	200 000	
Case: Axton Matrix Construction cc	923 815	
Case: Aqua Agri Solution	32 656	
Case: LM Industrial(Pty)Ltd	109 404	
	1 480 636	

The following cases are pending and information is not available to supply reliable figures:

Case: Niel De Klerk	No amount available
Siza Mekaar Construction cc	No amount available
INCA Bank/Minolta	High Court
J M Segoati	No amount available
GLM Denny and RG Ross	No amount available
SP Surfacing cc	No amount available

41. 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.

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, 2011	**Less than 1 year**	**Between 1 and 5 years**	**Later than 5 years**
Annuity loans	0		
Finance lease obligations	15 626 051	9 209 342	
Trade and other payables	9 181 456		
VAT	9 270 412		
Consumer deposits	9 558 303		

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	16 373 739	24 835 393	
Trade and other payables	68 843 931		
VAT	7 765 634		
Consumer deposits	8 340 711		

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: R11 193 269 (2010: R8 761 320)
Financial Liabilities: R 0 (2010:R1 229 736)

Variable rate instruments

Financial Assets: R 41 699 472 (2010: R16 996 477)
Financial Liabilities: R11 036 653(2010: R11 036 653)

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 2011 and 2010, the municipality’s borrowings at variable rate were denominated in the Rand.

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.

42. Financial liabilities by category

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

2011

	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	9 209 342			-
Other financial liabilities	15 626 051			-
Trade and other payables	104 128 089			-
Bank overdraft	0			-
Consumer deposits	9 558 303			-
	138 521 785	**0**	**-**	**-**

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	26 065 129			1 229 736
Other financial liabilities	16 373 739			11 036 653
Trade and other payables	92 176 986			90 661 148
Consumer deposits	8 340 711			5 308 368
Bank overdraft	5 308 368			8 340 711
	148 264 933	**0**	**-**	**116 576 616**

43. 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) Partially compliant
- Section 32 of MFMA, 2003(Act no. 56 of 2003)
- Section 71 of MFMA, 2003(Act no. 56 of 2003) partially compliant
- 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) Partially compliant
- 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) A1129of 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)
- Section121(3) of MFMA, 2003(Act no. 56 of 2003)
- Section 127 of MFMA, 2003(Act no. 56 of 2003)

44. Financial assets by category

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

2011

	Amortised Cost	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	18 806 326	0	7 004 340	0		25 810 666
Other receivables	16 861 204					16 861 204
Trade and other receivables	88 843 721					88 843 721
Cash and cash equivalents	35 215 035					35 215 035
	159 726 286	**0**	**7 004 340**	**0**	**0**	**166 730 626**

2010

	Amortised Cost	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	19 074 002	0	6 683 795	0		25 757 797
Other receivables	10 145 567	0				10 145 567
Trade and other receivables	52 737 390	0				52 737 390
Cash and cash equivalents	13 981 254	0				13 981 254
	95 938 213	**0**	**6 683 795**	**0**	**0**	**102 622 008**

45. Change in estimate

Property, plant and equipment

The useful life of certain property, plant and equipment was re-assessed during the year.

46. Income foregone

The income foregone relates to rebates granted to consumers on services rendered and free basic services that is allocated to all residents.

47. Offset Depreciation

The surplus/(deficit) calculated R 36 815 069(2010:(R34 106 479)) is before taken into account the offset depreciation which arose through the application of GRAP 17. The offset depreciation is is included in the accumulated surplus. The municipality will the offset depreciation into consideration to ensure that this will not be recovered.
The purpose of this is to promote community equity by ensuring that future depreciation expenses incurred will be offset against this amount.

APPENDIX A

METSIMAHOLO LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

	Loan Number	Redeem-able	Balance at 1 July 2010 R	Received during period R	Redeemed/ Written off during the period R	Balance at 30 June 2011 R	Carrying Value of property plant and equipment R	Other costs in accordance with MFMA R
Long Term loans								
Annuity loans								
INCA	3	30/4/2011	1 229 287	-	-	1 229 287	-	
TOTAL			1 229 287	-	-	1 229 287	-	

APPENDIX B

METSIMAHOLO LOCAL MUNICIPALITY

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Cost / Revaluation					Accumulated Depreciation						
	R Opening Balance	R Additions	R Impairment	R Disposals	R Closing Balance	R Opening Balance	R Additions	R Impairment	R Disposals	R Closing Balance	R Carrying Value	Budget Additions
Land and Buildings												
Land	72 187 887	-		6 339 189	65 848 698	-	-		-	-	65 848 698	9 736 000
Buildings	166 651 546	-	-	20 332 487	146 319 059	107 462 050	6 659 221	-	13 167 621	100 953 650	45 365 409	1 290 000
Dwellings	42 899 212			248 167	42 651 045	28 378 285	1 706 707		158 827	29 926 165	12 724 880	
Non Residental structures	123 752 334			20 084 320	103 668 014	79 083 765	4 952 514		13 008 794	71 027 485	32 640 529	1 290 000
	238 839 433	**-**	**-**	**26 671 676**	**212 167 757**	**107 462 050**	**6 659 221**	**-**	**13 167 621**	**100 953 650**	**111 214 107**	**11 026 000**
Infrastructure												
Roads and Stormwater	666 349 302	20 812 039	-		687 161 341	393 708 908	21 928 031			415 636 939	271 524 402	53 266 000
Sewerage	181 082 043	5 751 473	-		186 833 516	81 333 380	2 921 701			84 255 081	102 578 435	5 230 000
Electricity	197 656 156	8 902 505	-		206 558 661	88 309 572	5 923 297			94 232 869	112 325 792	19 820 000
Water	380 513 400	6 036 566	-		386 549 966	228 827 297	6 957 376			235 784 673	150 765 293	7 000 000
Solid waste Disposal	85 719		-		85 719	58 060	4 629			62 689	23 030	-
Cemetery Infrastructue	650 101	1 971 634			2 621 735	417 109	65 010			482 119	2 139 616	3 200 000
	1 426 336 721	**43 474 217**	**-**	**-**	**1 469 810 938**	**792 654 326**	**37 800 044**	**-**	**-**	**830 454 370**	**639 356 568**	**88 516 000**
Heritage												
Heritage site	561 000		-	-	561 000	-	-			-	561 000	
	561 000	**-**	**-**	**-**	**561 000**	**-**	**-**		**-**	**-**	**561 000**	**-**
Investment												
Property	21 664 371			622 000	21 042 371	-				-	21 042 371	
Developed Land	19 946 027			1 333 918	18 612 109						18 612 109	
Dwellings	4 585 000				4 585 000						4 585 000	
	46 195 398	**-**	**-**	**1 955 918**	**44 239 480**	**-**	**-**	**-**	**-**	**-**	**44 239 480**	
Other Assets												
Furniture and Office equipment	5 381 212	309 588	-	-	5 690 800	2 672 021	799 083	-	-	3 471 104	2 219 696	168 000
Transport assets	22 429 027	173 685	-	-	22 602 712	10 093 069	3 988 007	-	-	14 081 076	8 521 636	16 160 000
Computer equipment	7 804 042	11 775	-	-	7 815 817	2 167 275	1 283 043	-	-	3 450 318	4 365 499	6 181 000
Machinery and equipment	11 937 348	244 731	-	-	12 182 079	5 869 401	1 452 953	-	-	7 322 354	4 859 725	11 118 410
	-											
	47 551 629	**739 779**	**-**	**-**	**48 291 408**	**20 801 766**	**7 523 086**	**-**	**-**	**28 324 852**	**19 966 556**	**33 627 410**
Intangible Assets	**341 671**				**341 671**	**176 181**	**102 505**			**278 686**	**62 985**	
	-											
Leases	**52 213 995**	**-**			**52 213 995**	**10 124 605**	**14 420 510**			**24 545 115**	**27 668 880**	
Total	1 812 039 847	44 213 996	-	28 627 594	1 827 626 249	931 218 928	66 505 366	-	13 167 621	984 556 673	843 069 576	133 169 410

	Cost / Revaluation					Accumulated Depreciation						
	R Opening Balance	R Additions	R Impair ment	R Disposals	R Closing Balance	R Opening Balance	R Additions	R Impair ment	R Disposals	R Closing Balance	R Carrying Value	Budget Additions

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

	Cost / Revaluation					Accumulated Depreciation						
	R Opening Balance	R Additions	R Impair ment	R Disposals	R Closing Balance	R Opening Balance	R Additions	R Impair ment	R Disposals	R Closing Balance	R Carrying Value	Budget Additions
Land and Buildings												
Land	72 187 887	-			72 187 887	-	-		-	-	72 187 887	3 050 000
Buildings	166 651 546	-	-	-	166 651 546	99 987 096	7 474 954	-	-	107 462 050	59 189 496	-
Dwellings	42 899 212				42 899 212	26 661 651	1 716 634			28 378 285	14 520 927	
Non Residental structures	123 752 334				123 752 334	73 325 445	5 758 320			79 083 765	44 668 569	
	238 839 433	**-**	**-**	**-**	**238 839 433**	**99 987 096**	**7 474 954**	**-**	**-**	**107 462 050**	**131 377 383**	**3 050 000**
Infrastructure												
Roads and Stormwater	666 349 302	-	-		666 349 302	371 780 878	21 928 030			393 708 908	272 640 394	-
Sewerage	159 157 971	21 924 072	-		181 082 043	78 411 679	2 921 701			81 333 380	99 748 663	19 013 751
Electricity	193 395 689	4 260 467	-		197 656 156	82 528 426	5 781 146			88 309 572	109 346 584	12 770 000
Water	367 862 449	12 650 951	-		380 513 400	221 875 702	6 951 595			228 827 297	151 686 103	15 922 938
Solid waste Disposal	85 719		-		85 719	53 431	4 629			58 060	27 659	800 000
Cemetery Infrastructue	650 101				650 101	352 099	65 010			417 109	232 992	3 125 000
	1 387 501 231	**38 835 490**	**-**	**-**	**1 426 336 721**	**755 002 215**	**37 652 111**	**-**	**-**	**792 654 326**	**633 682 395**	**51 631 689**
Heritage												
Heritage site	561 000		-	-	561 000	-	-			-	561 000	
	561 000	**-**	**-**	**-**	**561 000**	**-**	**-**		**-**	**-**	**561 000**	**-**
Investment												
Property	21 664 371				21 664 371					-	21 664 371	
Developed Land	19 946 027				19 946 027						19 946 027	
Dwellings	4 585 000				4 585 000						4 585 000	
	46 195 398	**-**	**-**	**-**	**46 195 398**	**-**	**-**	**-**	**-**	**-**	**46 195 398**	
Other Assets												
Landfill sites												
Furniture and Office equipment	4 917 630	463 582	-	-	5 381 212	1 942 394	729 627	-	-	2 672 021	2 709 191	1 163 150
Transport assets	22 429 027	-	-	-	22 429 027	6 136 904	3 956 165	-	-	10 093 069	12 335 958	10 930 000
Computer equipment	3 951 611	3 852 431	-	-	7 804 042	1 390 232	777 043	-	-	2 167 275	5 636 767	1 031 500
Machinery and equipment	11 704 585	232 763	-	-	11 937 348	4 491 727	1 377 674	-	-	5 869 401	6 067 947	17 813 870
	43 002 853	**4 548 776**	**-**	**-**	**47 551 629**	**13 961 257**	**6 840 509**	**-**	**-**	**20 801 766**	**26 749 863**	**30 938 520**
Intangible Assets	**341 671**				**341 671**	**73 676**	**102 505**			**176 181**	**165 490**	
Leases	**19 747 834**	**32 466 161**			**52 213 995**	**4 757 790**	**5 366 815**			**10 124 605**	**42 089 390**	
Total	1 736 189 420	75 850 427	-	-	1 812 039 847	873 782 034	57 436 894	-	-	931 218 928	880 820 919	85 620 209

APPENDIX C

METSIMAHOLO LOCAL MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	COST					ACCUMULATED DEPRECIATION					
	R Opening Balance	R Additions	R Impairment	R Disposals	R Closing Balance	R Opening Balance	R Additions	R Impairment	R Disposals	R Closing Balance	R Carrying Value
Office of the municipal manager	1 392 932	350 246	0	0	1 743 178	490 908	287 869		0	778 777	964 401
Corporate services	25 183 821	409 646	0	354 856	25 238 611	14 354 302	1 264 261	0	41 628	15 576 935	9 661 676
Information technology	55 611 227	-2 076 684	0	0	53 534 543	10 402 961	14 332 948	0	0	24 735 909	28 798 634
Cleansing services	263 167	212 791	0	0	475 958	143 313	73 388		0	216 701	259 257
Public safety	6 823 155	243 891	0	6 000	7 061 046	3 451 695	1 005 482		3 600	4 453 577	2 607 469
Parks and recreation	44 760 769	140 212	0	3 190 206	41 710 775	4 667 339	1 606 694	0	74 145	6 199 888	35 510 887
Pleasure resorts	553 786	25 963	0	0	579 749	294 343	73 276		0	367 619	212 130
Community centres	1 812 613	34 806	0	0	1 847 419	1 019 306	223 096		0	1 242 402	605 017
Stadiums	4 506 952	0	0	12 944	4 494 008	2 887 122	192 500		10 873	3 068 749	1 425 259
Swimming pools	582 270	0	0	0	582 270	483 943	24 683		0	508 626	73 644
Cemeteries	1 090 738	1 971 634	0	0	3 062 372	157 387	21 943		0	179 330	2 883 042
Libraries	818 924	3 083	0	0	822 007	495 244	108 607		0	603 851	218 156
Technical services	508 606	15 875	0	0	524 481	212 008	87 431	0	0	299 439	225 042
Electricity	199 479 017	8 981 880	0	0	208 460 897	89 249 206	6 303 002	0	0	95 552 208	112 908 689
Mechanical workshop	4 009 210	41 318	0	0	4 050 528	2 263 580	617 055		0	2 880 635	1 169 893
Streets and stormwater	667 925 409	20 831 597	0	0	688 757 006	394 700 771	22 000 840	0	0	416 701 611	272 055 395
Buildings	1 539 439	15 875	0	0	1 555 314	725 128	279 286		0	1 004 414	550 900
Sewerage	200 894 615	6 794 492	0	76 197	207 612 910	93 604 850	3 899 477	0	49 629	97 454 698	110 158 212
Water	367 884 841	5 028 344	0	0	372 913 185	220 155 253	6 760 212	0	0	226 915 465	145 997 720
Financial services	10 733 128	754 014	0	0	11 487 142	4 776 638	1 775 362	0	0	6 552 000	4 935 142
Economical development and plannir	171 736	123 837	0	0	295 573	77 410	62 378		0	139 788	155 785
Housing administration	6 862 543	254 000	0	2 705	7 113 838	3 539 177	324 118		2 164	3 861 131	3 252 707
Property administration	208 630 950	57 174	0	24 984 685	183 703 439	83 067 042	5 181 458		12 985 580	75 262 920	108 440 519
				0							
TOTAL	1 812 039 848	44 213 994	0	28 627 593	1 827 626 249	931 218 926	66 505 366	0	13 167 619	984 556 673	843 069 576

APPENDIX D

METSIMAHOLO LOCAL MUNICIPALITY
SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2011

2 010 Actual Income R	2 010 Actual Expenditure R	2 010 Surplus/ (Deficit) R		2 011 Actual Income R	2 011 Actual Expenditure R	2 011 Surplus/ (Deficit) R	2 011 Budget Surplus/ (Deficit) R
170 104 715	**236 401 520**	**(66 296 805)**	**Rates and General Services**	**227 515 127**	**264 091 515**	**(36 576 388)**	**(73 278 480)**
117 674 441	***165 231 959***	***(47 557 518)***	***Community Services***	***164 621 369***	***188 812 396***	***(24 191 027)***	***(59 022 125)***
3 184	5 395 325	(5 392 141)	Executive Mayor : Administration	4 500	8 388 702	(8 384 202)	(6 678 970)
-	1 110 751	(1 110 751)	Youth Unit	-	519 575	(519 575)	(450 350)
-	87 001	(87 001)	Age/Disability/Gender/Children	-	21 335	(21 335)	(59 050)
1 239	2 130 919	(2 129 680)	Speaker : Administration	-	2 517 171	(2 517 171)	(4 331 315)
-	3 248 223	(3 248 223)	Mayoral Committee	-	3 508 598	(3 508 598)	(4 091 000)
-	5 308 271	(5 308 271)	Councillors	-	5 521 305	(5 521 305)	(5 717 930)
547 473	7 585 621	(7 038 148)	Municipal Manager : Administration	1 213 298	10 521 249	(9 307 951)	(13 356 350)
-	134 157	(134 157)	IDP and PMS	97 000	206 996	(109 996)	(244 360)
-	200 441	(200 441)	Internal Audit	-	258 019	(258 019)	(1 561 550)
185 948	588 197	(402 249)	PMU	121 097	633 847	(512 750)	(967 830)
-	382 813	(382 813)	Director :Organisation Development & Corporatic	-	516 155	(516 155)	(609 510)
256 900	4 940 496	(4 683 596)	Corporate Service : Administration	361 920	2 388 474	(2 026 554)	(602 980)
755 753	1 833 430	(1 077 677)	Human Resources	344 408	1 396 216	(1 051 808)	(5 498 540)
			Records Section	-	1 896 672	(1 896 672)	(6 496 880)
-	1 074 805	(1 074 805)	Legal Services	-	1 875 792	(1 875 792)	(1 825 260)
-	2 859 217	(2 859 217)	Civic Centre	-	2 866 768	(2 866 768)	(5 941 780)
-	448 950	(448 950)	Staff housing - hostels & dwellings		377 568	(377 568)	(31 270)
-	1 532 148	(1 532 148)	Information Technology	-	15 013 773	(15 013 773)	(7 089 790)
-	1 235 139	(1 235 139)	Director : Social Services	-	898 083	(898 083)	(1 505 930)
-	2 285 920	(2 285 920)	Public Safety & Security : Administration	-	1 778 356	(1 778 356)	(1 241 380)
-	68 153	(68 153)	Disaster & Emergency Management	-	36 312	(36 312)	(437 680)
-	4 348 524	(4 348 524)	Security Services	-	5 924 676	(5 924 676)	(6 266 900)
3 545 042	6 880 829	(3 335 787)	Traffic Services	4 509 910	8 638 795	(4 128 885)	(4 669 470)
2 787	11 789 259	(11 786 472)	Parks, Recreation & Open Spaces	30 341	14 171 700	(14 141 359)	(13 121 990)
-	678 619	(678 619)	Director : Technical Services	-	1 253 807	(1 253 807)	(1 324 380)
-	1 894 828	(1 894 828)	Engineering Workshop	-	2 639 932	(2 639 932)	(4 334 320)
20 196	1 955 610	(1 935 414)	Civil Engineering : Administration	15 054	2 263 101	(2 248 047)	(1 891 660)
3 705 920	19 774 178	(16 068 258)	Streets & Stormwater	22 343 995	47 440 189	(25 096 194)	(32 092 570)
-	3 280 096	(3 280 096)	Building Maintenance	-	4 416 828	(4 416 828)	(4 779 930)
-	308 872	(308 872)	Director : Financial Services	-	533 641	(533 641)	(558 500)
34 979 667	64 470 725	(29 491 058)	Financial Services : Administration	52 004 541	22 564 760	29 439 781	12 269 020
-	659 462	(659 462)	Supply Chain Management	75 248	1 084 830	(1 009 582)	(2 116 020)
73 259 018	-	73 259 018	Assessment Rates	83 061 118	-	83 061 118	78 088 080
-	584 915	(584 915)	Director : Economic Dev. & Planning	-	376 680	(376 680)	(939 600)
-	727 613	(727 613)	Housing prop. & Urban Plan. : Administration	-	534 867	(534 867)	(578 570)
-	1 161 500	(1 161 500)	Property Administration	-	12 334 419	(12 334 419)	(1 907 840)

411 314	3 699 377	(3 288 063)	Urban Planning	438 939	2 753 327	(2 314 388)	(4 399 030)
-	526 575	(526 575)	Econ. Development : Administration	-	697 382	(697 382)	(1 430 030)
-	41 000	(41 000)	Marketing and Tourism	-	-	-	(49 200)
-	-	-	Public Relations	-	42 496	(42 496)	(179 510)
1 298 285	***17 206 944***	***(15 908 659)***	***Subsidised Services***	***635 355***	***18 539 888***	***(17 904 533)***	***(18 599 615)***
130 048	7 288 424	(7 158 376)	Fire Protection Services	176 906	8 637 626	(8 460 720)	(7 688 430)
673 414	1 510 894	(837 480)	Etienne Rousseau Theatre	97 669	1 445 707	(1 348 038)	(1 283 465)
7 851	-	7 851	Zamdela Arts and Culture Centre	7 273		7 273	39 680
175	986	(811)	Refengkgotso Hall	7 737	662	7 075	12 810
-	18 249	(18 249)	Metsimaholo Hall	-	18 579	(18 579)	1 380
-	285 472	(285 472)	Zamdela Community Hall	360	224 636	(224 276)	(278 600)
19 333	1 161 702	(1 142 369)	D P de Villiers Stadium	13 564	1 249 307	(1 235 743)	(1 435 970)
-	608 154	(608 154)	Moses Kotoane Stadium	2 370	624 745	(622 375)	(897 450)
-	7 563	(7 563)	Refengkgotso Stadium		1 567	(1 567)	(17 110)
-	4 008	(4 008)	Metsimaholo Stadium		4 022	(4 022)	(40 640)
3 319	1 280 375	(1 277 056)	Penny Heyns Swimming pool	15 268	1 098 671	(1 083 403)	(1 486 700)
-	419 537	(419 537)	Zamdela Swimming pool		385 468	(385 468)	(658 890)
114 493	513 944	(399 451)	Sasolburg Cemetery	64 833	552 583	(487 750)	(462 880)
42 340	134 195	(91 855)	Zamdela Cemetery	50 697	139 066	(88 369)	(220 100)
36 120	42 423	(6 303)	Deneysville Cemetery	62 429	18 103	44 326	(21 580)
14 500	-	14 500	Oranjeville Cemetery	16 263	3 186	13 077	18 880
209 240	2 893 508	(2 684 268)	Sasolburg Library	57 223	2 885 486	(2 828 263)	(3 020 840)
30 229	654 503	(624 274)	Zamdela Library	39 692	811 057	(771 365)	(723 480)
-	276 777	(276 777)	Deneysville Library	2 645	319 016	(316 371)	(309 470)
661	81 714	(81 053)	Oranjeville Library	1 018	93 422	(92 404)	(101 380)
16 562	24 516	(7 954)	Refengkgotso Library	19 408	26 979	(7 571)	(25 380)
51 131 989	***53 962 617***	***(2 830 628)***	***Economical Services***	***62 258 403***	***56 739 231***	***5 519 172***	***4 343 260***
22 670 232	20 325 805	2 344 427	Cleansing Services	31 005 338	24 822 576	6 182 762	7 527 750
798 155	2 127 098	(1 328 943)	Abrahamsrust Holiday Resort	1 659 844	1 674 638	(14 794)	(1 360 780)
156 610	5 302	151 308	Deneysville Shore facility	151 956	-	151 956	75 440
66 640	3 982	62 658	Oranjeville Shore facility	97 464	769	96 695	90 210
27 440 352	31 500 430	(4 060 078)	Sewerage	29 343 801	30 241 248	(897 447)	(1 989 360)
3 776 786	**2 442 621**	**1 334 165**	**Housing Services**	**6 598 746**	**3 181 127**	**3 417 619**	**4 817 340**
3 776 786	2 442 621	1 334 165	Housing Administration	6 598 746	3 181 127	3 417 619	4 817 340
283 516 669	**220 941 433**	**62 575 236**	**Trading Services**	**312 755 523**	**242 781 684**	**69 973 839**	**36 605 200**
118 289 120	99 485 571	18 803 549	Electricity : Administration	147 203 506	121 790 386	25 413 120	20 881 150
6 004 246	17 973 000	(11 968 754)	Electricity : Distribution	8 902 505	17 592 225	(8 689 720)	(24 961 290)
124 293 366	*117 458 571*	*6 834 795*	*Electricity*	*156 106 011*	*139 382 611*	*16 723 400*	*(4 080 140)*
159 223 303	103 482 862	55 740 441	Water Service	156 649 512	103 399 073	53 250 439	40 685 340
457 398 170	**459 785 574**	**(2 387 404)**	**Total**	**546 869 396**	**510 054 326**	**36 815 070**	**(31 855 940)**

APPENDIX E

METSIMAHOLO LOCAL MUNICIPALITY

Statement of Comparative and Actual Information as at 30 June 2011

Description	Original Budget	Budget Adjustment	Virements	Final Budget	Actual outcome	Unauthorised Expenditure	Actual outcome as % of final budget	Actual outcome as % of original budget
	R'000	R'000	R'000	R'000	R'000			
Financial Performance								
Property Rates	74 488	74 788		74 788	80 193	5 405	107	108
Service Charges	327 924	318 075		318 075	307 798	-10 277	97	94
Investment Revenue	12 700	15 380		15 380	19 734	4 354	128	155
Transfers recognised Operating	110 166	98 234		98 234	125 222	26 988	127	114
Other own Revenue	54 774	41 733		41 733	13 922	-27 811	33	25
Total Revenue(Excluding Capital Transfers and Contribution)	**580 052**	**548 210**	**0**	**548 210**	**546 869**	**-1 341**	**100**	**94**
Employee Costs	160 345	162 441		161 640	141 066	-20 574	87	88
Remuneration of Councillors	10 769	10 769		10 769	9 892	-877	92	92
Debt Impairment	40 000	40 000		40 000	40 000	0	100	100
Debt Impairment additional					-31 387			
Depreciation and Asset impairment	18 848	18 848		18 848	66 505	47 657	353	353
Finance Charges	10 128	4 800		4 800	2 078	-2 722	43	21
Bulk Purchases	164 966	164 966		164 966	160 378	-4 588	97	97
Transfers and Grants	27 559	22 559		22 559	15 428	-7 131	68	56
Other expenditure	128 814	93 307		141 183	106 094	-35 089	75	82
Total Expenditure	**561 429**	**517 690**	**0**	**564 765**	**510 054**	**-23 324**	**90**	**91**
Surplus/(Deficit)	**18 623**	**30 520**	**0**	**-16 555**	**36 815**	**21 983**	**-222**	**198**
Transfers Recognised-Capital Contributions Recognised- Capital and Contribute assets	344 317	-207 508		136 809	44 214		32	13
Surplus/(Deficit) for the year	**-325 694**	**238 028**	**0**	**-153 364**	**-7 399**	**21 983**	**5**	**2**

APPENDIX E

METSIMAHOLO LOCAL MUNICIPALITY

Statement of Comparative and Actual Information as at 30 June 2011

Description	Original Budget	Budget Adjustment	Virements	Final Budget	Actual outcome	Unauthorised Expenditure	Actual outcome as % of final budget	Actual outcome as % of original budget
	R'000	R'000	R'000	R'000	R'000			
<u>Capital Expenditure & Funds Sources</u>								
Capital Expenditure								
Transfers Recognised- Capital	94 829	-13 590		81 239	2 046		3	2
Public Contributions & Donations	245 538	-190 573		54 965	41 994		76	17
Borrowing								
Internal Generated Funds	3 950	-3 345		605	0		0	0
Total Source of Capital Funds	**344 317**	**-207 508**	**0**	**136 809**	**44 040**	**0**	**32**	**13**
<u>Cash Flows</u>								
Net cash from(Used)Operating	193 169	4 341		4 341	88 425		2 037	46
Net cash from(Used)Investing	-311 904	-125 700		-125 700	-57 385		46	18
Net cash from(Used)Financing	73 883	29 872		29 872	-17 603		-59	-24
Cash/Cash at the end of the year	**-44 852**	**-91 487**		**-91 487**	**13 437**		-15	-30

APPENDIX F

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 2011

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			Yes/No	
		R	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**	**R**				
Financial Management Grant		1 000 000				80 800	332 422	298 918	287 077								
Municipal Infrastructure Grant		13 772 000		18 524 000		5 264 357	3 084 639	11 210 518	19 876 210								
Department of Minerals & Energy		1 000 000	1 500 000	500 000		60 066	163 351		2 526 186								
Department of Water Affair and Forestry		610 000	255 000	255 000		408 766	56 126	75 542	579 564								
Municipal System Improvement Grant			750 000			78 800	330 411	111 699	229 091								