

# **Metsimaholo Local Municipality**



## **ANNUAL REPORT 2005/06**

**Final Draft**

May 2007

## **Our Vision**

is for Metsimaholo to be a leading Municipality in delivering effective, affordable and sustainable quality services to its communities.

### **We will achieve our vision by:**

- Promoting proper planning and implementation of projects and programmes
- Setting standards
- Being accountable
- Communication
- Capacity building of staff and communities
- Having proper systems and processes
- Ensuring a sustainable, affordable and effective service delivery

## IDP Clustered Priorities

<b>Governance and Administration</b>	<ul style="list-style-type: none"> <li>▶ Monitoring</li> <li>▶ Governance</li> <li>▶ Performance Management and Implementation</li> </ul>	<b>Safety and Security</b>	<ul style="list-style-type: none"> <li>▶ National Crime Prevention Strategy</li> <li>▶ Disaster Management</li> </ul>
<b>Economic and Investment</b>	<ul style="list-style-type: none"> <li>▶ Local Economic Development</li> <li>▶ Poverty Alleviation</li> <li>▶ Acquisition of Land</li> <li>▶ Housing</li> <li>▶ Water Provision</li> <li>▶ Sanitation Provision</li> <li>▶ Streets and Storm Water</li> <li>▶ Electricity Provision</li> <li>▶ Refuse Removal</li> <li>▶ Cemeteries</li> <li>▶ Telecommunication</li> <li>▶ Public Transport</li> <li>▶ Environment</li> <li>▶ Land Reform</li> </ul>	<b>Social and Human</b>	<ul style="list-style-type: none"> <li>▶ Improved Level of Health Services</li> <li>▶ Education</li> <li>▶ Youth Development</li> <li>▶ Welfare Service Provision</li> <li>▶ Culture Enhancement</li> <li>▶ Safety and Security</li> <li>▶ Disaster Management</li> <li>▶ Gender Equity</li> <li>▶ HIV / AIDS</li> </ul>

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# CHAPTER 1: INTRODUCTION AND OVERVIEW

## Foreword by the Executive Mayor

It has been the aim and the attempt by the Metsimaholo Local Municipality during the period under review to live up to the spirit and letter of our vision to be the leading municipality in delivering effective, affordable and sustainable quality services to our communities.

There is remarkable progress visible in this municipal area in addressing the imbalances of the past and to realise a better life for all our citizens. We do not, however, pretend that we have reach all our transformational objectives but merely acknowledge that significant strides have been made during the past financial year and that if we work harder together we will indeed achieve much more.

It is expected of the municipality to offer our residents good infrastructural development such as well-built and maintained roads, decent housing, sufficient clean running water, sanitation, electricity as well as adequate health services, a clean environment, good governance and many other services. In all these critical areas of developmental local government work has been done.

The limited budget of the municipality, augmented by grants from National and Provincial Government have ensured that many projects were successfully implemented. Far more could have been accomplished, had it not been because of financial constraints, shortage of personnel and poor cash flow mainly caused by low payment levels for services emanating from the high unemployment rate faced by our people in this area.

Further progress has also been made in populating the organisational structure, implementing a performance management system, advancing employment equity and skills development, improving the roll out of free basic services to particularly the poorest of the poor or indigents.

During the period under review we witnessed improved cooperation between councillors, opposition parties, officials and the community. Partnerships between business, community and the municipality also improved.

Through our IDP and budget processes we continue to address the enormous challenges facing our municipality, which amongst others include, redressing the imbalances of the past, creating access to basic services, poverty alleviation, financial sustainability, political and administrative stability, sound governance. HIV/AIDS, corruption and issues of safety and security. This we have done to make local government in general and Metsimaholo in particular work better for our people.

Our budget choices must be responsive to the social and economic conditions and realities facing our communities, but should also be based on a sound and sustainable fiscal framework. Unless our policies are implemented efficiently, sensitively, honestly and enthusiastically, we will achieve far less than we intend, and than our people deserve.

The municipality need to pool resources with other spheres of government, public entities and the private sector to build more and better roads, infrastructure for water and sanitation, and schools and clinics where they are needed, in rural and urban areas alike. By using the approach of the Expanded Public Works Programme (EPWP) on providing infrastructure, we will ensure that more people have work opportunities and are given skills.

It therefore becomes absolutely critical that our Service Delivery and Budget Implementation Plan (SDBIP) for the coming financial years should reflect the aforementioned strategic aims and objectives. Very clear service delivery targets must be set for our municipality to eradicate the bucket system by 2007, to ensure that all communities have access to clean water and decent sanitation by 2010, that all houses are electrified by 2012, that there is universal provision of free basic services and that as a municipality we build sustainable communities and human settlements.

I want to express my sincere gratitude to Members of the Mayoral Committee, Councillors, Officials, all Stakeholders and members of the community for their unwavering support in working together to ensure a better life for our people by making our municipality work better and more effectively.

**CLR F NGUBENTOMBI**  
**EXECUTIVE MAYOR**

## **Executive review by the Municipal Manager**

The 2005/06 financial year was indeed a challenging period in the ongoing transformation of the municipality. It was therefore a year during which notable achievements have been registered in various areas such as administration and management, the provision of basic municipal services and the continuous improvement in our service delivery processes.

The Organisational structure and strategy were reviewed to enhance effective service delivery and effective administration. All the municipality's employees have been placed in the new organizational structure and finally incorporating the erstwhile municipalities of Sasolburg, Deneysville and Oranjeville. This organisational structure will enable the municipality of Metsimaholo to structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

A Service Delivery and Budget Implementation Budget Plan (SDBIP) was adopted as envisaged by the Municipal Finance Management Act, Act No. 56 of 2003. SDBIP seeks to ensure effective monitoring of the execution of the budget, the performance of senior management and the achievement of service delivery objectives set by Council. It is important to note that service delivery information per area and ward is contained in the SDBIP. The importance of the SDBIP is to ensure that the budgetary process does not operate *in vacuo*.

One of the key responsibilities of Local Municipalities is to foster and create Public Private Partnerships (PPPs) that will enable the municipality to improve its delivery of services. The Rejuvenation of Metsimaholo is an example of such a program that has been in the running for the past 5 years. Rejuvenation of Metsimaholo is a rare example of a successful PPP that has been running over such a long period of time. Further, the council is in the process of concluding a Memorandum of Understanding with Anglo-Coal. It is envisaged that more than R4 million will be spent to uplift the standard of living of the community.

The Rejuvenation partnership is particularly grateful to SASOL that contributed most of the funding for the projects whilst the Municipality and Provincial Government also

contributed to funding for some of the projects. Other stakeholder partners have participated actively in the program and have also contributed to the program in the form of resources, expertise and in-kind donations.

A substantial number of the projects were implemented to improve the capacity of the municipality in order to improve service delivery. The following projects that were implemented over the past several years are an example of the partnership in action in an attempt to improve service delivery.

During last year the following projects were completed; Upgrading of Zamdela Hall, Upgrading press room at DP De Villiers Stadium, Upgrading of Highveld Gardens, Upgrading of Zamdela/Sasolburg swimming pools, Construction of new roads and storm water systems in Zamdela, Refengkgotso and Metsimaholo, upgrading of storm water systems in Zamdela.

The Municipality's operating and capital budget for the 2005/06 financial year amounted to R 346,1 million and was drawn up as a transformation tool to improve the lives of all the people in the municipality. This budget is a product and also an expression of the political will of the ruling party and the people of Metsimaholo. It is also important to note that the Municipality completed all its Municipal Infrastructure Grants (MIG) projects as envisaged in the MIG financial year.

The Municipality continues to improve its financial health through prudent fiscal management, financial management reforms and service delivery enhancement programmes.

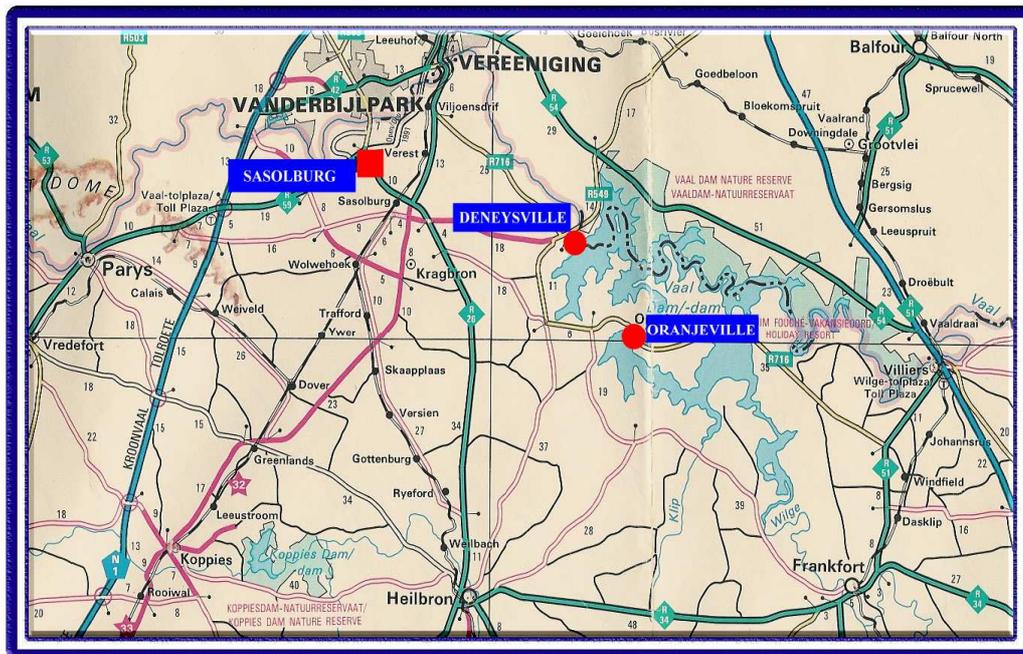
I would therefore want to express my sincere appreciation for the support and dedication of all departments, employees and councillors in realising all these special achievements. Let us continue working together to further enhance the work of our institution and thereby ensuring that our people experience a visible improvement in their lives.

**L K MAHLATSI**  
**MUNICIPAL MANAGER**

## Overview of the Municipality

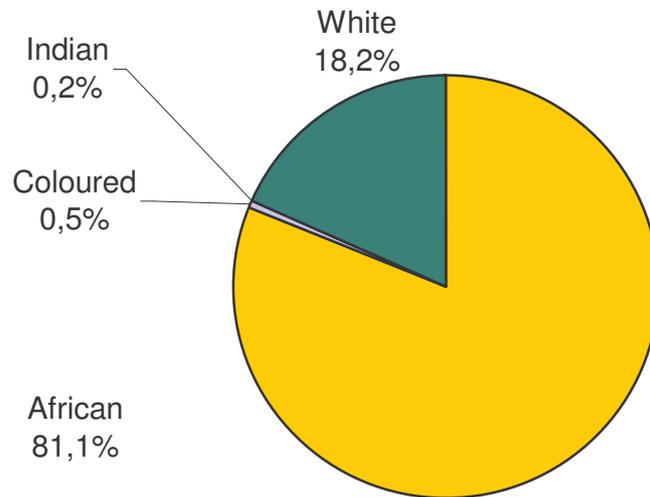
The Local Municipality of Metsimaholo is situated in the northernmost corner of the Free State Province, which forms part of the Vaal Triangle [Vanderbijlpark, Vereeniging and Sasolburg region(s)]. The Local Municipality of Metsimaholo lies at an altitude of approximately 1500 meters above sea level. The average annual rainfall is 638 mm while the average maximum summer temperature is 26.9°C and the average minimum winter temperature is 1.6°C;

The Metsimaholo Local Municipality covers an area of 1 739 square kilometres and includes Deneysville, Metsimaholo, Oranjeville, Refengkgotso, Sasolburg, Vaalpark and Zamdela. It is inhabited by approximately 116 000 people with more than 90% living in the urban areas of the municipal region.

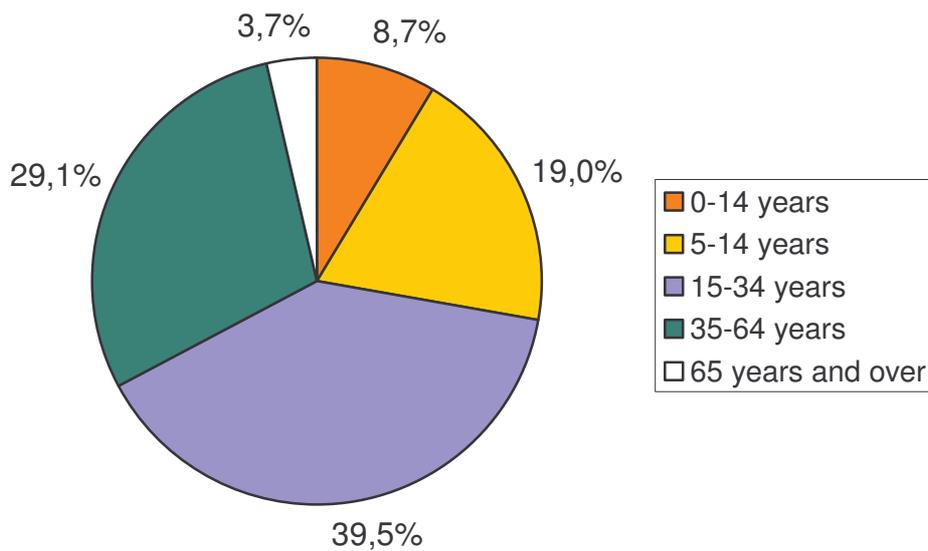


A large percentage of houses in Deneysville are holiday homes, which implies that the actual permanent inhabitants of the community may be less than estimated. The majority of the rural population is active in the agricultural sector and a total of 1 753 farms are located within the Metsimaholo municipal area.

According to national census information the gender distribution is almost equal with 51,1% male and 48,9% female. The breakdown in terms of population groups is indicated below.



The age distribution of the population in the municipal area is as follows (Census 2001):



**Labour force (Census 2001)**

Employed	31 486
Unemployed	18 512
Not economically active	29 971
Total labour force	49 998

According to the 2001 census, individual monthly income statistics were as follows:

<b>Monthly income</b>	<b>Number of people</b>	<b>%</b>
None	75 318	64,94
R1 – R400	7 789	6,71
R401 – R800	10 228	8,81
R801 – R1 600	7 164	6,17
R1 601 – R3 200	6 201	5,34
R3 201 – R6 400	5 085	4,38
R6 401 – R12 800	2 961	2,55
R12 801 – R25 600	861	0,74
R25 601 – R51 200	201	0,17
R51 201 – R102 400	90	0,07
R102 401 – R204 800	63	0,05
Over R204 801	17	0,01
<b>Total</b>	<b>115 978</b>	<b>100,00</b>

## CHAPTER 2: PERFORMANCE HIGHLIGHTS

### Free Basic Services

The municipality continues to provide free water of 6 kilolitres per household per month and 50 kilowatt of free electricity per household per month in terms of national government's policy directives and to address poverty in the municipal area.

	2004/05	2005/06
<b>Free water:</b>		
- residents	6kl	6kl
- indigent residents	10kl	10kl
Basic water - all residents	Free	N/A
<b>Free Electricity:</b>		
- all resident	50 kWh	50kWh
- non Municipal supply	Subsidy of 50 kWh	Subsidy of 50 kWh
Basic Electricity	Free	N/A
<b>Sewerage Basic</b>	Free	Free
<b>Free Refuse removal - indigents</b>	-	Free
<b>Indigent subsidy</b>	R60.00	R60.00
<b>Level Registration of indigents</b>	R1 800.00	R1 800.00
<b>Number registered indigents</b>	6 700	7 113

The number of indigents increased from 6 700 in the previous financial year to 7 113 in the 2005/06 financial year. The income level for registration remained at R1 800. The re-registration process for indigent persons and households longer than 3 years on the register was started in this financial year.

### Basic services rendered

	For the year ended 30 June 2006
Number of new houses built in municipal areas	327
Number of households provided with water	3 100
Number of households provided with electricity	191
Number of households provided with sanitation	2 200

## Service delivery backlogs

	Water	Electricity	Sanitation	Refuse removal
Minimum standard of service (MSoS)	6 kilolitres; Communal stand pipe within 200m	50 Kwh	Flush toilets (urban); VIP (non-urban)	Door-to-door service
No. of HH not receiving MSoS at beginning of financial year	3 400	8 428	8 275	±300
No. of HH provided with MSoS during the financial year	3 100	263	2 200	±40 000
No. of HH not receiving MSoS at end of financial year	3 300	8 165	6 075	±500

**Water:** The minimum standard of service for metered households is 6 kilolitres per household per month and in un-metered areas it is the provision of a communal standpipe within 200 meters from dwelling.

**Electricity:** The minimum standard of service for metered households is 50 kilowatt hours per household per month.

**Sanitation:** The minimum standard in urban areas is a flush toilet and for non-urban areas is a pit latrine with ventilation.

**Refuse removal:** The backlog in so far as refuse removal is concerned in terms of the minimum standard of service agreed to by the municipality increased from 300 to 500 due to new stands that are inaccessible due to the condition of roads. The expansion of the service in the 2005/06 of 40 000 points includes 3 804 flats.

## **Key Successes and Challenges**

### **Revenue collection**

Outstanding debts amounted to R193 million as at 30 June 2006 (R178,1 million as at 30 June 2005) and the average collection rate, improved from 84,8 per cent in 2004/05 to 88,3 per cent in 2005/06.

The collection of outstanding debt from consumers remains a challenge for the municipality. Although the revenue collection, mainly on current accounts, increased by 3,5% the total outstanding debtors increased by R14,9m or 8,3% (mainly additional interest levied on outstanding accounts). It is the intention of the municipality to write off irrecoverable and long outstanding amounts in the 2006/07 financial year in terms of the approved credit control and debt collection policy.

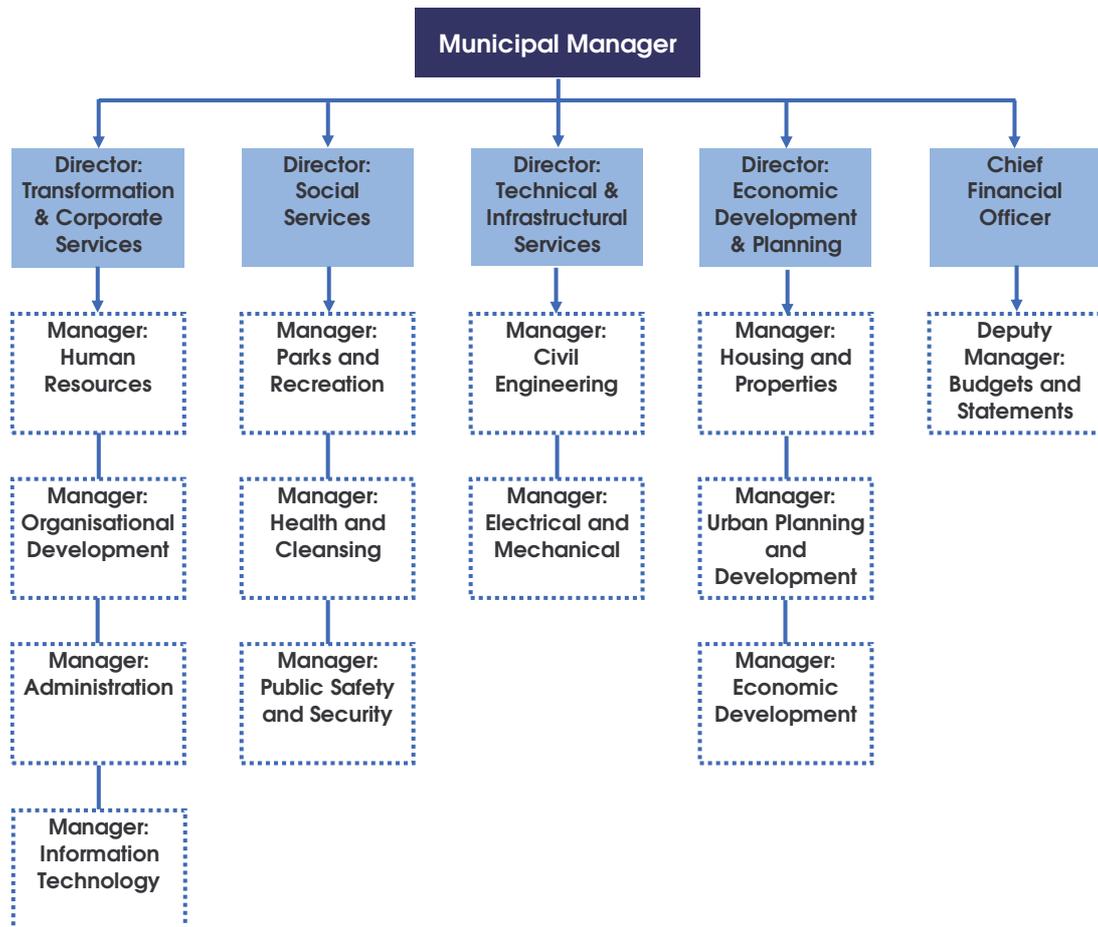
### **Town planning**

1 223 building plan applications were received during the year of which 1 140 or 93,2% were finalised within 30 days.

A total of 1 700 building inspections were completed during the financial year under review. 70 land use management applications for subdivisions, consolidations, removal of restrictions and re-zonings were approved during the 2005/06 financial year.

# CHAPTER 3: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

## Executive Organisational Structure



### Note:

Various changes were proposed to the approved organisational structure, which will be submitted to Council for approval in the next financial year.

## Staffing information

The table below indicates the total number of posts per function as per the approved organisational structure as well as the number of posts filled and the vacancies per function as at the end June 2006.

Function	Total no. of posts	No. of filled posts	No. of vacancies
Office of the Executive Mayor	9	4	5
Office of the Speaker	6	3	3
Office of the Municipal Manager	7	4	3
Budget and Treasury Office	80	71	9
Corporate Services	60	41	19
Technical Services	320	226	94
Social Services	556	231	325
Planning and Development	44	21	23
<b>Total</b>	<b>1 082</b>	<b>601</b>	<b>481</b>

### Note:

The number of filled posts excludes 34 Councillors and 50 new appointments made after 30 June 2006

## Employment equity statistics

*Workforce profile as at 30 September 2006*

Occupational category	Male				Female				Total
	A	C	I	W	A	C	I	W	
Legislators, senior officials and managers	35			13	13	1		3	65
Professionals	1			1	3			4	9
Technicians and associate professionals	6			6	1			0	13
Clerks	43			6	48		1	18	116
Service and sales workers	32			6	14			16	68
Skilled agricultural and fishery workers	0			0	0			0	0
Craft and related trade workers	43			15	1			0	59
Plant and machine operators and assemblers	58			0	0			0	58
Elementary occupations	244	1		0	52			0	297
<b>TOTAL</b>	<b>462</b>	<b>1</b>	<b>0</b>	<b>47</b>	<b>132</b>	<b>1</b>	<b>1</b>	<b>41</b>	<b>685</b>

## Skills development programmes

<b>Training and skills development interventions</b>	<b>Skills priority no.</b>	<b>No. of staff trained</b>	<b>Cost in rand R</b>
Client service	1	90	11 400
Telephone etiquette	2	152	38 000
Information technology	3	31	40 000
Administration	4	32	41 925
Financial	5	0	0
Teambuilding	6	0	0
Management/leadership	7	10	16 440
Health and safety	8	16	33 740
Specialist technical	9	11	16 644
Corporate, legal and support	10	0	0
Training skills	11	4	64 000
Policy development	12	0	0
Stress and conflict management	13	0	0
Project management and planning	14	1	0
<b>TOTAL</b>		<b>347</b>	<b>262 149</b>

## Personnel expenditure trends

Financial year	R'000	% of total expenditure
2002/03	56 452	31,8%
2003/04	61 464	31,7%
2004/05	71 149	31,3%
2005/06	74 355	26,5%

## Overtime payments

Department/Division	Amount (R)
Corporate Services	9 866.66
Refuse Removal	388 514.40
Public Safety	1 440 615.39
Sport and Recreation	638 681.17
Electricity	457 277.57
Roads and Storm water	126 775.81
Building Maintenance	115 180.59
Sewerage	510 889.13
Water	435 606.59
Finance	160 477.50
Housing and property	27 962.70
<b>Total</b>	<b>4 311 847.50</b>

## Pension and medical aid funds

### Pension and provident funds

<b>Name of fund</b>	<b>No. of members</b>
Vrystaat Pensioen Fonds	53
Free State Provident Fund	99
SALA Pension fund	19
SAMWU Provident fund	414
Pension Funds For Councillors	27
<b>TOTAL</b>	<b>612</b>

### Medical aid funds

<b>Name of fund</b>	<b>No. of members</b>
MUNIMED	114
BONITAS	71
L A HEALTH	31
SAMWUMED	21
GLOBAL HEALTH	1
HOSMED	49
<b>TOTAL</b>	<b>287</b>

The municipality's actual expenditure for the 2005/06 financial year in respect of employer's contributions for both pension and medical aid amounted to R10 960 464.

## Arrears owed by staff and councillors

No staff members were in arrears for more than 90 days with their municipal services accounts as at 30 June 2006, where necessary employees entered into arrangements with the municipality.

The following Councillors were in arrears for more than 90 days as at the end of June 2005:

T. du Toit	R 716
N.T. Mosai	R3 210

## Salary disclosures

### Councillors Actual (Remuneration of Public Office Bearers Act)

	2004/05	2005/06
	R	R
Executive Mayor	209 015	284 493
Speaker	163 001	275 283
Mayoral Committee Members (10)	1 042 715	1 498 103
Councillors (24)	1 262 496	1 509 411
Councillors' pension contributions	297 242	297 660
Councillors' medical contributions	197 966	178 881
Travelling allowances	511 599	564 195
	<b>3 684 034</b>	<b>4 608 026</b>

### Senior Management (Section 57 employees)

<b>Incumbent</b>	<b>Designation</b>	<b>Remuneration package per annum R</b>
L K Mahlatsi	Municipal Manager	651 494
J Z Engelbrecht	Chief Financial Officer	559 229
M S Mqwathi	Director: Corporate and Transformation Services	574 078
M J Macombe	Director: Social Services	494 665
S J Thomas	Director: Economic Development and Planning	558 439
I M Tsonev	Director: Technical and Infrastructural Services	555 937

**Note:**

The total remuneration package amounts exclude any leave redemption payments made to senior managers during the 2005/06 financial year.

## **CHAPTER 4: AUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION**

### **Report of the Chief Financial Officer**

The financial period was exceptional in some aspects and in general unequalled progress was made in reducing poverty levels and service delivery in the Municipality. Significant progress was made on poverty relief for residents as indicated in Chapter 2 with the provision of free basic services to residents in general and indigents in particular.

Minimal tariff increases were affected for all categories of consumers. In comparison with neighbouring municipalities our tariffs are between 15 and 52% more affordable for services rendered. The tariff structures implemented is understandable (not stepped) and remains the same for each financial period.

Additional cashier points were secured as well as the implementation of Easy pay and a State of the art prepaid vending system. The municipality remains the pilot site for Conlog prepaid system development. The prepaid system is now implemented as a market leader internationally. Six additional ADO machines were installed to ensure that services are easily available and accessible.

Five additional multi function prepaid stations was made operational in the first quarter of 2006. The rate halls of Sasolburg, Chris Hani, Oranjeville and Metsimaholo were further upgraded. Additional personnel were deployed to assist service delivery on ground level. The stores were also completely revamped on security, storage reception, office and operational safety level.

A state of the art computer/server room was completed and 95% of the auditor's queries were resolved including all material issues raised. A state of the art telephone system was installed including a call centre that will improve customer services dramatically will be operational by mid 2007.

Municipal Finance Management Act (MFMA) implementation was done successfully on the 12 urgent priorities identified by the National Treasury. Budget, operational and reporting processes were streamlined and aligned with applicable legislation.

Major changes will be implemented on Supply Chain Management and supplier databases as part of phase 2 during the first half of 2007.

A loan of R10,5 million was secured to address service delivery on the ground by purchasing additional sedans and tractors. This loan was covered by a redemption fund that is paid up. All other loans except a DBSA annuity loan for a refuse truck loan were paid off during the period. Vehicles were purchased to ensure the long term viability of the municipal fleet. Fire engines, emergency vehicles, a compactor and a number of bakkies and sedans were also procured.

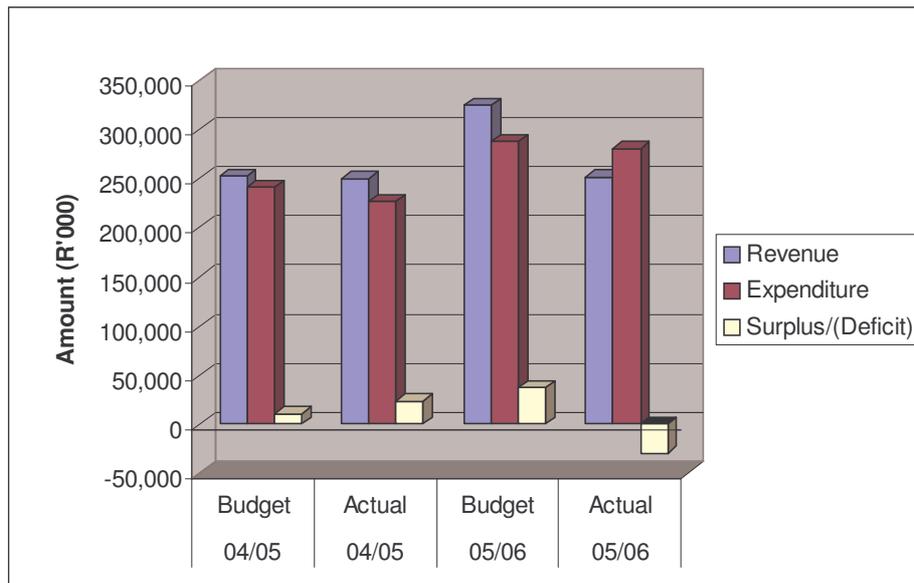
The collection rate for debtors was upped from 84.8% to 88,3% for the period.

A debt collection and credit control policy was approved by the Council. This will be phased in over time and will increase the collection rate further.

The repairs of meters and water leaks were undertaken and more than 2000 meters were replaced and repaired. This resulted in improved billing as well as significant cost-benefits to the municipality. The audits of all meters are undertaken once a year and more than 300 cases of electricity and water theft was successfully concluded. A business unit was created to cater specifically for business consumers, which is aimed at an improvement in services for our largest consumers.

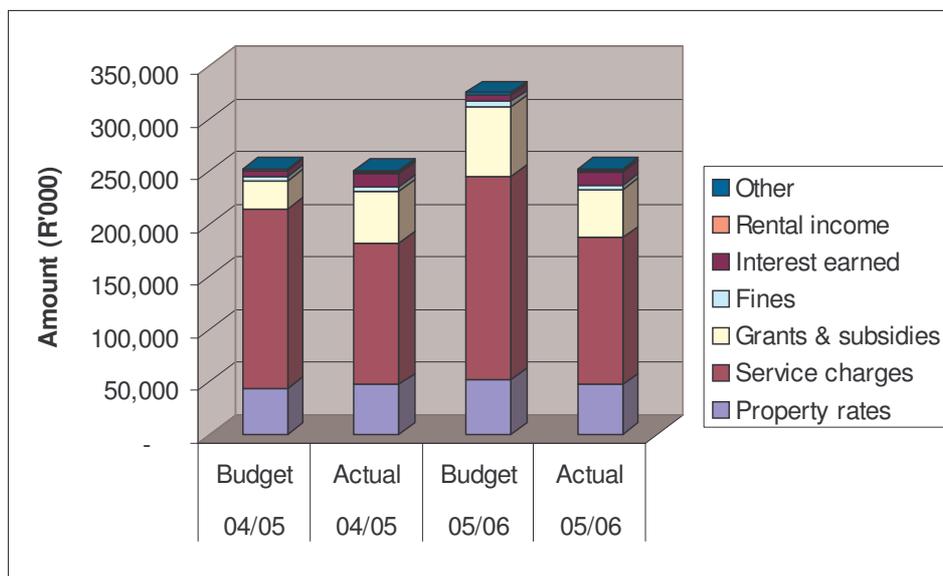
The diagrams below will illustrate the operating results for the 2005/06 financial year with comparative amounts for 2004/05.

## Operating results



The above figure indicates that the actual revenue compared to budget for 2004/05 was 77,4 per cent compared to 99,1 per cent in 2004/05. Actual expenditure as a percentage of the budget increased from 93,9% in 2004/05 to 97,6% in 2005/06. The operating surplus of R23,4 million in 2004/05 was wiped out and the municipality showed a deficit of R29,3 million in 2005/06. This is mainly as a result of under-billing and under-collection on the major sources of revenue such as assessment rates, electricity, and particularly water. (see table below)

## Operating revenue by source

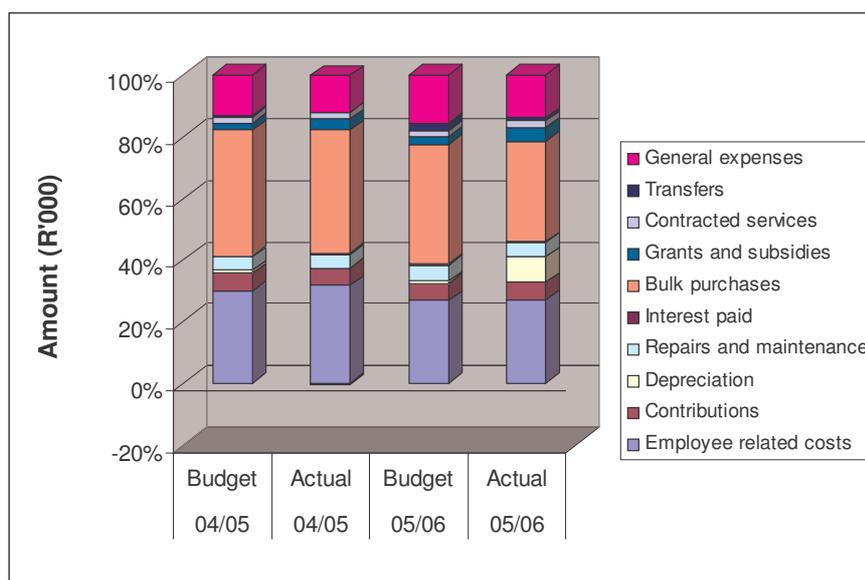


Property rates contributed 18,8% to total actual revenue for the 2005/06 financial year. Electricity revenue constituted 20,6% of total revenue and 38,8% of revenue from service charges in 2005/06. Revenue from water remains the major source at 21,9 per cent of total revenue and 41,2 per cent of revenue from service charges.

The table below shows a further breakdown of service charges in terms actual levies compared to the budget. It clearly reflects that the municipality faced some serious challenges in relation to its billing and collection systems.

<b>Service charges</b>	<b>Budget R'000</b>	<b>Levies R'000</b>	<b>Variance %</b>
Assessment rates	52 309	47 526	9,2% (under)
Electricity	72 487	52 013	28,3% (under)
Water	90 898	55 267	39,2% (under)
Sewerage/sanitation	11 417	11 804	3,3% (over)
Refuse/waste	8 957	9 738	8,7% (over)

### Operating expenditure by type



Personnel expenditure as a percentage of total actual expenditure decreased from 31,3 per cent in 2004/05 to 26,5 per cent in 2005/06. Bulk purchases of water and electricity decreased as a share of total operating expenditure from 39,0 per cent in 2004/05 to 32,0 per cent in 2005/06.

**J Z ENGELBRECHT**  
**CHIEF FINANCIAL OFFICER**

## **Report of the Audit Committee**

The Audit Committee is pleased to present the report for the financial year ended 30 June 2006 as recommended by the Municipal Finance Management Act No.56 of 2003.

### **1. Audit Committee Members and Attendance**

The Audit Committee consists of the members listed hereunder and meets at least four times a year or more when the need arise. During the current year meetings were held on four occasions in terms of section 166 (4) b of the MFMA and the approved Audit Committee charter. Meetings were held on the following dates: 23 August 2005, 24 November 2005, 8 March 2006 and 16 May 2006.

#### **Name of the Members**

Prof. E.P Ababio (Chairperson)

R. Najjaar

P. Lessing

T. Melato

P.E. Mahonko

M. Tlou

R. Taye

### **2. Audit Committee Responsibility**

The Audit Committee reports that it has complied with its roles and responsibilities as outlined by section 166 of the MFMA and the approved charter. The Audit Committee also reports that it has adopted appropriate formal terms of reference as contained in the Audit Committee charter approved by the Municipal Council and has regulated its affairs in compliance with the charter and has discharged its responsibilities as contained therein.

### **3. Internal Control**

The system of internal control is partially effective as the various reports of the Internal Audit, the Audit report on the annual financial statements and the management letter of the Auditor General have reported certain significant and housekeeping matters of non compliance and control nature. However, nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of internal controls, procedures and systems has occurred during the period under review.

### **4. Internal Auditing**

The Internal Auditing provides a supportive role to management and the Audit Committee to achieve their objectives by assisting in the management of risk within the Municipality.

The Internal Audit department is responsible for objective evaluation of the of the Council's system of internal control at a detailed level and to bring any significant business risks and exposures to the attention of management and the committee through the provision of comprehensive internal audit reports.

### **5. Risk Management**

The municipality has developed a risk management strategy. The Audit Committee has recommended that the strategy be approved by the Council as it will be the foundation for a continuous risk assessment process and for managing and monitoring of risks on an ongoing basis.

### **6. Evaluation of Financial Statements**

The Audit Committee has:

- Reviewed the financial statements prior its submission to the Auditors General.
- Reviewed and discussed the Auditor General Management letter and the Audit report with the Management and the Internal Audit.

The Audit Committee concurs and accepts the conclusion of the Auditor General on the annual financial statements and is of the opinion that the audited financial statements be accepted and read together with the report of the Auditor General.

**PROF E P ABABIO**  
**CHAIRPERSON**



## **REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE METSIMAHOLO LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006**

### **1. AUDIT ASSIGNMENT**

The financial statements set out on page 53 to 96, for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South-Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements based on the audit.

### **2. SCOPE**

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 1512 of 2006*, issued in *Government Gazette* no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

### **3. BASIS OF ACCOUNTING**

The municipality is required to prepare financial statements on the basis of accounting determined by the National Treasury, as described in the addendum to this report.

### **4. QUALIFICATION**

The qualifications listed below resulted from the following severe control weaknesses:

- the Standards of Generally Accepted Municipal Accounting Practice (GAMAP) and Standards of Generally Accepted Accounting Practice (GAAP) were not correctly implemented;
- inadequate monitoring and reviewing;

- the absence of a proper training strategy and programme to equip staff to be prepared for the changes in the accounting standards in the local government sphere;
- failure to adhere to the financial accounting and internal control systems;
- failure to adhere to the financial accounting standards and policies.

#### 4.1 Receivables (debtors)

(a) Receivables were misstated in the financial statements due to GAMAP and GRAP not being correctly implemented. The following are examples:

- (i) *Revenue*: Paragraphs 10 to 13 as well as 55 and 56 of GAMAP 9: *Revenue*, require that the fair value of revenue received or receivable should be recognised and disclosed. The municipality, however, did not recognise and disclose the fair value of revenue received or receivable. Consequently, revenue and debtors, and interest received/receivable have been misstated by an unknown amount.
- (ii) The fair value of trade and other receivables was not initially recognised and disclosed as required by paragraph 43 of IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*. Trade and other receivables were also not subsequently measured at amortised cost using the effective interest method as required by paragraph 46(a) of IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*. Consequently, trade and other receivables, and the operating surplus for the year, are overstated by an unknown amount.
- (iii) The municipality made a general provision for doubtful receivables based on the actual recovery of debtors during the year under review. This was contrary to paragraphs 63 and 64 of IAS 39 (AC 133): *Financial Instruments: Recognition and Measurement*, which require that loans and receivables be impaired if there is objective evidence that an impairment loss had been incurred. The amount of the loss should be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. An entity should also first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.
- (iv) *Provision for doubtful debts*: Provision for doubtful debts as disclosed in note 14 and the related expense accounts is understated by R19 969 658 (2005: R54 572 431).
- (v) *Risk management policies*: Inadequate disclosure was made of the risk management policies as well as accounting policies relating to financial instruments as required by IAS 32 (AC 125) *Financial Instruments: Presentation*. Furthermore, no disclosure was made of fair value information, which included the method of determining fair value and significant assumptions made, as is required by IAS 32 (AC 125) *Financial Instruments*.

- (vi) *Traffic fines*: The accounting policy regarding fines issued indicates that fines are recognised when payment is received. Paragraphs 39 to 41 of GAMAP 9 require that an estimate be made of the spot fines and summonses that will be received based on past experience of amounts collected. During the current year, the actual recognition of fines issued was limited to fines actually received. Income and debtors were therefore understated by an unknown amount.
- (b) Accounts receivable were understated by R9 252 499 at year-end due to the duplication of credit journals and the incorrect allocation of receipts to debtors. Control measures were not in place to ensure that journals were correctly posted and recorded.
- (c) The validity and existence of debtors totalling R9 203 407 could not be confirmed as no payments were received after year-end and no proof could be provided by the municipality to confirm their validity and existence.

#### **4.2 Accounts payable (creditors)**

- (a) Due to shortcomings within the financial accounting and internal control systems, supporting documentation for creditors of R4 435 520 could not be submitted. The validity and existence of these creditors could therefore not be confirmed.
- (b) Paragraph 143 of IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement* requires that accounts payable be accounted for at fair value. However, this was not implemented by the municipality. Accounts payable were consequently overstated by an unknown amount.

#### **4.3 Assets**

- (a) The useful lives, residual values and impairment losses of assets classified as property, plant and equipment were not reviewed at financial year-end as required by paragraphs 40, 41, 54, 56 and 59 of GAMAP 17: *Property, Plant and Equipment*. The adjustments to property, plant and equipment, which could have resulted from the assessment of the useful lives, residual values and impairment losses, have not been calculated and the effect on the financial statements could not be determined.
- (b) In terms of paragraphs 15, 17 and 39 of GAMAP 17: *Property, plant and equipment*, 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, should be depreciated separately. Evidence could not be obtained that the municipality had evaluated the fixed assets to determine whether a part of an item of property, plant and equipment was significant in relation to the total cost of the item.

#### **4.4 Investment property**

Investment properties were not accounted for at fair value as required by paragraph 75(d) of International Statement of Generally Accepted Accounting Practice (GAAP) for investment property (IAS 40), when using the cost model as the method of accounting. I was unable to verify or calculate estimates in this regard due to a lack of sufficient supporting documentation. The extent of the misstatement could consequently not be established.

#### **4.5 Long-term receivables (debtors)**

- (a) Long-term debtors were not initially accounted for at the fair value as required by paragraph 43 of IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*. Long-term debtors were also not subsequently measured at amortised cost using the effective interest rate method as required by paragraph 46(a) of IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*. Consequently, long-term debtors and operating surplus for the year could be misstated by an unknown amount.
- (b) According to paragraphs 63 and 64 of IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*, loans and receivables should be impaired if there is objective evidence that an impairment loss had been incurred. The amount of the loss should be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. An entity should also first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The municipality made no provision for impairment of long-term debtors as required by IAS 39 (AC 133) *Financial instruments: Recognition and Measurement*. No estimate for the latter could be made due to a lack of supporting documentation. The extent of the misstatement could consequently not be determined.

#### **4.6 Inventory**

- (a) In terms of paragraph 6 of GAMAP 12: *Inventories*, water reserves that were held for resale via the network should be recognised as inventory. The water reserves, however, were not recognised as inventory during the year under review. It was not possible to estimate the water quantity at year-end and inventory was therefore understated by an unknown amount.
- (b) In terms of paragraphs 4, 5, 15 and 17 of GAMAP 12: *Inventories*, land held for sale should be accounted for as inventory at year-end. This should be recognised and measured in the accounting record. The municipality did not recognise the land held for sale as inventory and no estimates could be made in this regard due to a lack of supporting documentation. Inventory is therefore understated by an unknown amount.

#### **4.7 Expenditure**

Supporting documentation amounting to R1 318 299 could not be submitted for auditing purposes. This amount included the following:

- Payment of wages totalling R842 375
- Expenditure totalling R309 944
- Creditor payments and journals amounting to R165 980

I was therefore not able to conclude on the validity of expenditure listed above.

#### **4.8 Long-term liabilities**

Long-term liabilities amounting to R10 579 101 could be misstated by an unknown amount in the financial statements because fair value accounting (discounting) of long-term liabilities, as required by IAS 39 (AC 133) *Financial Instruments: Recognition and Measurement*, for the initial recognition of long-term liabilities was not applied.

The liabilities were also not measured at amortised cost using the effective interest method as required by paragraph 47 of IAS 39 (AC 133). No estimates could be made in this regard due to a lack of supporting documentation. Long-term liabilities were consequently misstated by an unknown amount.

#### **5. Unadjusted material audit differences**

Although the municipality was afforded an opportunity to address the issues outlined in paragraph 4 above, the municipality did not provide me with additional evidence or make the necessary adjustments to the financial statements to avoid the qualifications.

#### **6. DISCLAIMER OF AUDIT OPINION**

Because of the significance of the matters referred to in paragraph 4, I do not express an opinion on the financial statements.

#### **7. EMPHASIS OF MATTER**

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

##### **7.1 Matters affecting the financial statements**

- (a) Invoices/creditor statements to the amount of R233 245 were not accounted for in the current financial year. This resulted in an understatement of creditors by R233 245. This was mainly due to a lack of monitoring and reconciliations of individual account balances at year-end.
- (b) Due to incorrect calculations applied by management, the provision for leave was found to be overstated by R245 136 (2005: R 816 576). This matter was also reported in paragraph 3.12 of the previous audit report.
- (c) No provision was made for unmetered water and electricity consumption of consumers at year-end, which resulted in an understatement of revenue and receivables. This was mainly due to a lack of controls and procedures to ensure the completeness of revenue.

##### **7.2 Financial management and internal control**

Sections 63 to 65 of the MFMA outline the accounting officer's responsibilities towards asset and liability, revenue and expenditure management as well as the reasonable steps to be taken in this regard. Due to inadequate supervision over the application of internal controls and procedures, the

following audit findings were identified, which indicated a weak financial administration and internal control environment:

- Insufficient managerial control measures existed over fixed assets. Examples included incomplete recording of all asset-related transactions in the assets register, a lack of reconciling controls between the asset register and the general ledger on a regular basis, while log books were not kept for all vehicles used for official purposes.
- There was a total lack of control over cash and the complete accounting thereof at the traffic department and Abrahamsrust holiday resort. This substantially increased the risk of fraud and error related to cash receipts.
- Various shortcomings related to salary payments and deductions were identified which included lack of prior approval of overtime worked and inaccurate tax deductions made.
- Insufficient controls existed over monthly processing of creditors as an unidentified creditor control account amounting to R117 653 was identified at year-end.

### **7.3 Supply chain management**

- (a) Purchases of goods and services amounting to R1 519 901 and R772 326 were identified, which were not accompanied by the necessary quotations and/or tenders/contracts as required by the supply chain management (SCM) policy. This was due to the SCM policy that was not properly implemented.
- (b) Land was sold to Heron Banks Development for an amount of R5,5 million. Neither tenders nor the basis on which the contract was awarded to the buyer could be obtained. This was in direct contravention of sections 14(5), 111 and 112 of the MFMA, which require the disposal of capital assets to be fair and transparent. This matter was also reported in paragraph 5.4.3 of the previous audit report. At the time of writing this report, a conclusive reply from the municipal manager was still outstanding. This was mainly due to the fact that the supply chain management was not adequately implemented.

### **7.4 Material losses, unauthorised, fruitless and wasteful expenditure and irregular expenditure**

#### **(a) Asset register**

Notwithstanding the fact that a total amount of R721 260 was paid to a vendor for compiling an asset register, a complete asset register had not been received by the municipality at the time of the audit. It was also determined that this amount consisted of monthly payments made to a related party of the CFO and that the CFO was also the chairperson of the bid committee. This expenditure could be regarded as fruitless and wasteful in terms of the definition in section 1(1) of the MFMA.

#### **(b) Photocopier machines**

A contract was signed by the municipal manager during February 2006 for the rental of photocopier machines, with monthly instalments of R316 514,

without proper tender procedures having been followed. As payments were made during February 2006 for both the old and the new photocopier machines and given that certain of these machines were not in use, the payment of R316 514 is regarded as fruitless and wasteful expenditure in terms of the definition in section 1(1) of the MFMA. With reference to a council meeting held on 22 February 2006, the council issued a notice to the municipal manager to clarify uncertainties regarding this acquisition whereby proper tender procedures were not followed. At the time of writing this report no evidence could be obtained that the municipal manager had responded to the council's request.

(c) **Motor loan to a director**

A director passed away during February 2006 while she was indebted to the municipality for a motor vehicle loan of R178 592. According to paragraph 7 of the loan agreement, the principal of the loan was payable upon termination of employment with the municipality. The procedures as stipulated in the contract had not been followed to recover the remaining balance and the recoverability of this amount appeared uncertain. Although the municipality did claim this amount against the estate of the deceased director, the matter was still unresolved at the time of writing this report. This was mainly due to a lack of implementation of debt collection policies and procedures.

(d) **Unauthorised expenditure**

Salaries and allowances paid to the municipal manager and directors did not agree with the salary scales approved by the council. Overpayments totalling R48 449 and an underpayment of R8 705 were identified during the financial year. The overspending of R48 449 is regarded as unauthorised expenditure in terms of the definition in section 1(1) of the MFMA. The municipality did not disclose this unauthorised expenditure as required by the MFMA.

## 7.5 **Going concern**

The financial statements have been prepared on the going-concern basis, which assumes that the municipality will be able to meet its liabilities in the ordinary course of business. Accordingly, these financial statements do not include any adjustments relating to the valuation of assets and the classification of liabilities that might be necessary if the council is unable to continue as a going concern. The following issues indicated that the risk existed that the council might not be able to continue as a going concern:

- (a) Debtors at year-end increased by approximately 5,5% to R174,8 million (2005: R165,7 million). The average time to recover outstanding consumer debtors decreased to 216 days (2005: 234), which was still regarded as unacceptably high. The increase in consumer debtors before the provision for bad debts amounted to R9,1 million, while the provision for bad debts increased by approximately R21 million to R82,3 million.
- (b) The income from water levies was only 72,9% of the total budget income for this account for the year. The levies totalled R55,9 million (2005: R52,5 million) for the year, while an amount of R76,8 million had been budgeted for this account. Subsequent to year-end (July to October 2006) it was noted that the income from water levies that were actually levied to consumers, decreased further to only 51% of the budgeted income.

- (c) The investments held by the municipality decreased by R19,3 million during the year to only R6,7 million (2005: R26 million) at year-end. Subsequent to year-end these investments decreased further and this impacted negatively on the council's ability to continue as a going concern in the near future.
- (d) Since year-end, the pressure on the cash flow of the municipality increased and at the time of writing this report the municipality was experiencing difficulty in paying creditors within the agreed terms.

## **7.6 Non-compliance with laws and regulations**

- (a) *Mayors' Trust and consolidated financial statements:* The financial statements for the Metsimaholo Mayors' Trust (municipal entity) and consolidated financial statements of this local municipality had not been submitted in respect of the 2004-05 and 2005-06 financial years. In the absence of these financial statements, compliance with various sections of the MFMA could not be confirmed. This matter had also been reported on in my previous audit report.
- (b) Various capital projects were identified on the integrated development plan (IDP) which were not included in the budget for the current year due to insufficient funding. In terms of section 17(3) of the MFMA, the budget and the IDP should be aligned. Procedures were not in place to ensure that these documents agreed and had the same objective.
- (c) Evidence could not be obtained that the municipality had issued any by-laws to give effect to the implementation and enforcement of its tariff policy as required by section 75 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).
- (d) In terms of schedules 1 and 2 of the MSA, councillors (paragraphs 5 and 7 of the code of conduct for councillors) and staff members (paragraph 5 of the code of conduct for municipal staff members) respectively are required to furnish the municipality with declarations of interest. Various instances were found where this was not done during the year under review.
- (e) According to section 15(5) of the Water Services Act, 1997 (Act No. 108 of 1997), the water services development plan should be included in the IDP. Proof could not be obtained that this was done as the water services development plan had not been finalised.

## **8. Late finalisation of the audit report**

In terms of section 126(3)(b) of the MFMA I am required to submit my report to the accounting officer within three months of the receipt of the financial statements. In the interest of improving accountability and due to the process implemented by me to ensure consistency in the manner in which material audit findings are reported, I have delayed the finalisation of my report to the date reflected on the audit report.

## 9. APPRECIATION

We express our sincere appreciation to the council and the staff for their assistance during the audit.

S Cele

*for Auditor-General*

Bloemfontein

24 February 2007



A U D I T O R - G E N E R A L

**ADDENDUM TO THE REPORT OF THE AUDITOR-GENERAL ON THE  
FINANCIAL STATEMENTS OF THE METSIMAHOLO LOCAL MUNICIPALITY FOR  
THE YEAR ENDED 30 JUNE 2006**

**Basis of preparation**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- *General Notice 991 of 2005*, issued in *Government Gazette* no. 28095 of 7 December 2005; and
- *General Notice 992 of 2005*, issued in *Government Gazette* no. 28095 of 15 December 2005.

The standards comprise the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated Financial Statements and Accounting for Controlled Entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset

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



## **REPORT OF THE AUDITOR-GENERAL ON PERFORMANCE MEASUREMENT AT THE METSIMAHOLO LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006**

### **1. ASSIGNMENT**

The compilation, presentation and publishing of performance measurements as part of the annual reports of municipalities and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

As required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) my responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system, my role is not to assess or comment on the municipality's actual performance.

### **2. NATURE AND SCOPE**

I have performed the procedures agreed upon and described below regarding the performance measurement system of Metsimaholo Local Municipality. The assignment was undertaken in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed upon procedures engagements.

The procedures were performed solely to evaluate the controls implemented and managed by the accounting officer regarding the municipality's performance measurement system against the criteria set out in:

- chapter 6 of the Municipal Systems Act, 2000;
- the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796)

The procedures performed during our assignment were based on the high-level overview checklist completed by the accounting officer and included a review of the following aspects:

1. Development of an integrated development plan
2. Development of a performance management system
3. Development and implementation of key performance indicators
4. Setting of targets for key performance indicators
5. Actual service delivery process
6. Internal monitoring of performance measurements
7. Internal control of the performance management system
8. Performance measurement and reporting
9. Revision of strategies and objectives

### **3. FINDINGS**

I report my findings below:

#### **3.1 Integrated development plan**

The Municipality has developed and adopted an Integrated Development Plan for the year under review. We have reviewed the IDP and compared the plan and the processes followed with the relevant legislative requirements. No weaknesses were noted.

#### **3.2 Performance management system**

No audit work could be performed on sections 41, 46 and 81 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (**MSA**) as well as regulations 13 and 15 of The Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R.796) (**Regulations**), due to the fact that no supporting documentation could be provided by the accounting officer.

#### **3.3 Development and implementation of key performance indicators**

No audit work could be performed on section 42 of the MSA as well as Regulation 15(2), due to the fact that no supporting documentation could be provided by the accounting officer.

#### **3.4 Setting of targets for key performance indicators**

No audit work could be performed on sections 26 and 46 of the MSA as well as Regulations 11, 12 and 15, due to the fact that no supporting documentation could be provided by the accounting officer.

#### **3.5 Actual service delivery and internal monitoring**

No audit work could be performed on sections 25 and 35 of the MSA, due to the fact that no supporting documentation could be provided by the accounting officer.

#### **3.6 Internal control**

No audit work could be performed on sections 45 and 81 of the MSA as well as Regulation 14, due to the fact that no supporting documentation could be provided by the accounting officer.

#### **3.7 Performance measurement and reporting**

No audit work could be performed on sections 41, 46 and 81 of the MSA as well as Regulations 7, 13 and 15, due to the fact that no supporting documentation could be provided by the accounting officer.

### **3.8.1 Revision of strategies and objectives**

No audit work could be performed on sections 27, 32, 34, 41, 42 and 81 of the MSA as well as Regulations 3, 7, 13 and 15, due to the fact that no supporting documentation could be provided by the accounting officer.

## **4. STATEMENT**

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International standards on Review Engagements, I do not express any assurance on the performance measurements as at 30 June 2006.

Had I performed additional procedures or had I performed an audit or review of the performance measurement in accordance with International Standards on Auditing or International standards on review engagements, other matters might have come to my attention that would have been reported to you.

This report relates only to the purpose set forth in the first paragraph of this report and does not extend to any financial statements of the Metsimaholo Local Municipality, taken as a whole.

## **5. APPRECIATION**

The assistance rendered by the staff of the Metsimaholo Local Municipality during the assignment is sincerely appreciated.

Signed by M Klopper  
*for Auditor-General*

Bloemfontein  
15 December 2006



**A U D I T O R - G E N E R A L**

## ISSUES RAISED BY THE AUDITOR-GENERAL IN AUDIT REPORTS

In terms of section 131(1) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003), a municipality must address issues raised by the Auditor-General in an audit report. The management comments addressing the issues raised in the Report of the Auditor-General on the Financial Statements for the year ended 30 June 2006 (pages 31 to 39) are indicated below.

### 1 **AUDIT ASSIGNMENT**

The constitutional right of the Auditor General is noted and accepted.

### 2 **SCOPE**

The Scope of the audit is noted. As the financial statements was compiled and submitted in terms of the Municipal Finance Management Act no 56 of 2003, the statements were duly submitted on 31 August 2006. The statements did not comply to the guideline as the guideline was issued only after the submission date of the statements. The readiness of the Municipality to comply with the notice issued on 27 October 2006 was of concern and subsequently the statements were not redrafted. The resubmission of the statements should be considered as part of the 2006/07 financial year statements process by the Audit Committee, Accounting Officer and Oversight Committee. It is also noted with concern that the draft Audit report and final audit report qualifications is not aligned and the fundamental difference created delays in the submission of the Annual Report Component of the Auditor Generals report.

### 3 **BASIS OF ACCOUNTING**

The requirements of accounting standards as set by National Treasury are accepted. It is however of great concern that those standards are set retrospectively and it is further noted that lesser requirements are agreed for the 2006/07 financial year.

### 4 **QUALIFICATIONS**

#### General

The non management of changes was due to misinformation of the accounting staff and Chief Financial Officer of the applicable standards. It is of great concern that full compliance was requested in the 2005/06 financial year whereas the standards propose an implementation phase supported by Circular 36. The relevant standards received attention and the relevant standards will be complied to as far as possible. The redrafting of these statements will be considered by the Audit Committee, Accounting Officer and Oversight Committee.

#### 4.1 (A) **Receivables**

- (i) Revenue: The accounting system of the Municipality was not set up to provide the relevant incremental billing and account information. The problem extended to the previous financial year and available information was not sufficient to comply with the present value disclosure as required in GAMAP 9. The relevant information will be available for 2006/2007 financial year. The previous standard was complied with.
  - (ii) The effective interest rate was not applied to amortize the trade and other receivables and the initial recognition criteria of IAS 39 were not met. The relevant information will be available for 2006/07 financial year.
  - (iii) The impairment criteria of IAS 39 were not met. Provision for doubtful debt was made. The impairment and interest calculations required will be made for the 2006/2007 financial year.
  - (iv) The under provision is noted. The provision was improved dramatically and will be further addressed in 2006/07 and 2007/2008 financial years. The non write off of bad debts for 5 years and subsequent interest charges is of concern and will be addressed by the write off of bad debts in terms of the new Credit Control and Debt Collection Policy.
  - (v) Risk management policies : The risk policies will be developed and included in the 2006/07 financial year.
  - (vi) Traffic fines: The traffic fine income was undated in detail required to ensure compliance is available for the 2006/07 financial year.
- (B) Account no 8756. The bank used incorrectly the bank account number as the amount. This was picked up with the finalization of the bank reconciliation in August 2006 and account no. 8756 was debited with R5 200 000.62 on 12/09/2006. A further incorrect allocation of R46 177.26 was also corrected. R4 007 429 referred to 10 accounts where the incorrect levies as a result of incorrect readings, be corrected twice. All the corrections were done in 2006/07 financial year.
- (C) The debtors of R9 203 407 refer to Consumer debtors. The levies on the accounts were done in terms of Council Resolutions and promulgated tariffs. The collection of the outstanding debt is an ongoing process, and is being dealt with in terms of the Credit Policy.

#### 4.2 Accounts Payable (Creditors)

- (a) VAT Provincial Projects : R673 454,82. There is no documentation except the original payment certificates. This is the amount for bridged financing (VAT) for projects executed and financed by the Provincial Government. This was for VAT on mostly housing projects between 1999 and 2001. It is recommended that this amount be written off against the Accumulated Surplus Account.

Loan Cost Building Society Zamdela : R3 732 065. Council resolved at their meeting of 2 April 2007, Item 40 that the amount will be written off.

**Government Grant Oranjeville : R30 000.** This was taken over from Oranjeville with the amalgamation in 2001. There is no supporting documentation available. It is recommended that the amount be written off to accumulated surplus seen in the light that it is impossible for the Council to owe the Provincial Government R30 000 as a Grant.

- (b) The detail required for the calculations was not available for the 2005/06 Financial year. This matter will be addressed for the 2006/07 Financial year.

#### 4.3 **Assets**

- (a) **Asset register**

The Asset register was previously compiled by several companies. The most important fact is that the compliance requirements of an itemized asset register by 1 July 2007 was complied with by the municipality in May 2005. The compliance will be improved to GAMAP and IAS Standards through funding by the District Council in 30 June 2007. The physical asset count will be performed and communicated by the external service provider. The unbundling of PPE as well as impairment and investment property guidelines will need to be addressed in 2007/08.

The valuation roll (50%) and REDS (finalised) processes will finalise a major component of the GRAP requirements.

- (b) These matters will only be complied with in 2007/08 financial year. The information was not available to ensure compliance with GAMAP 17. An external supplier was appointed to assist the municipality to comply with the standards.

#### 4.4 **Investment Properties**

These matters will only be complied with in 2007/08 Financial year. The information was not available to ensure compliance with GAMAP 17. An external supplier was appointed to assist the municipality to comply with the standards.

#### 4.5 **Long term receivables (debtors)**

As the financial statements was compiled and submitted in terms of the Municipal Finance Management Act no 56 of 2003, the statements were duly submitted on 31 August 2006. The statements did not comply with the guideline as the guideline was issued only after the submission date of the statements. The readiness of the Municipality to comply with the notice issued on 27 October 2006 was of concern and subsequently the statements were not redrafted. The resubmission of the statements should be considered as part of the 2006/07 financial year statements process by the Audit Committee, Accounting Officer and Oversight Committee.

#### 4.6 **Inventory**

As the financial statements was compiled and submitted in terms of the Municipal Finance Management Act no 56 of 2003, the statements were duly submitted on 31 August 2006. The statements did not comply with the guideline as the guideline was issued only after the submission date of the statements. The readiness of the Municipality to comply with the notice issued on 27 October 2006 was of concern and subsequently the statements were not redrafted. The resubmission of the statements should be considered as part of the 2006/07 financial year statements process by the Audit Committee, Accounting Officer and Oversight Committee.

#### 4.7 **Expenditure**

##### **Payment of Wages : R842 375.**

Expenditure totalling R309 944 - this is also in respect of salary payments.

- Problems were experienced when Auditors (internal and external) and staff from SARS audited the documentation and did not return it to the office where it is kept normally. In future a person will have to sign for the payment vouchers/documents before it leave the office.

Creditor payments amounting to R165 980.

The following information was given by the auditors:

<b>Description</b>	<b>Reference</b>	<b>Amount R</b>
Dir21014: Second Front Axel Of Cat	1026683	127 165.00
Dir20446: Repair Diff CLB919FS	1026682	38 815.14

They were requested to submit cheque numbers, order numbers or fleet numbers in order to track the payment (Audit Query no 7 8/11/2006) but no feedback was received from the auditors.

#### 4.8 **Long term Liabilities**

As the financial statements was compiled and submitted in terms of the Municipal Finance Management Act no 56 of 2003, the statements were duly submitted on 31 August 2006. The statements did not comply to the guideline as the guideline was issued only after the submission date of the statements. The readiness of the Municipality to comply with the notice issued on 27 October 2006 was of concern and subsequently the statements were not redrafted. The resubmission of the statements should be considered as part of the 2006/07 financial year statements process by the Audit Committee, Accounting Officer and Oversight Committee.

5 **Unadjusted material audit differences**

The information was not available to comply with the new requirements. The resubmission of the Statements should be assessed with information available for the compilation of the 2006/07 Financial Statements. The adjustments on them are made on an informal basis.

6 **Disclaimer of Audit Opinion**

The significant matters as expressed are of great concern and will receive the required attention to ensure compliance as far as possible. A detailed audit compliance plan was drafted and is attached. The plan will ensure full compliance from 1 July 2008.

7 **Emphasis of the matter**

7.1 **Matters affecting the financial statements**

(a) **Combined Systems:** The amount of R79 916.33 will be written back in 2006/07 financial year.

(b) **PWC** Provision was made for the fees amount only, and did not include the disbursements and VAT.

No provision was made in 2006/07 and 2007/08 Operating budget for contributions towards Provision for leave. However it is not certain if the Auditors also took into account the 6 days special leave of the staff.

A policy will be drafted to correct the contribution for leave and the effect will be adjusted in terms of IAS 39.

(c) **Noted.** This matter will be investigated and as far as possible controls will be implemented to ensure revenue is recognized correctly and completely.

7.2 **Financial management and internal control**

\* The difference between the asset register and general ledger was due to a system problem. This amounted to R233 000 for the financial year. This problem was identified and corrected. The 2005/06 financial year was the first time the asset register and financial statements were linked. All known asset transactions were included except financial leases. The financial leases only need to be capitalized in 2008 as per new National Treasury Guidelines due to the availability of information problems. The vehicle log books controls have been updated and improved.

\* The controls over Abrahamsrust resort was handed to the Financial Services department in April 2007. The controls will be improved and completeness of income ensured. Several other challenges will be communicated to the relevant stakeholders and the situation improved in the resort.

\* The approval of leave, overtime and deductions was improved. The system calculations for tax deductions was improved and brought in line with Auditor General Guidelines.

- \* Insufficient controls were previously responsible for large creditors not being accounted for. Information will be requested from outside departments to ensure completeness and accuracy of creditors' provisions.
- \* The balance of R117 653.48 was determined from the Trial balances of Oranjeville and Deneysville with the amalgamation in 2001. No information is available and it is recommended that the Accumulated Surplus Fund be credited with the amount.

### 7.3 **Supply Chain Management**

- (a) Goods and services procurement was improved in 2006/07. The establishment of all relevant supply chain management committees and including a supply chain section. The supply chain section and internal audit section will be capacitated to ensure all transactions are compliant to the legislation.

The amount of R1 519 901 are as follows:

0001027309

Scotsman Ice Machine: Requested by Admin and approved by CFO and MM.

Cheque 152347

Marekeng Solutions: A detailed request was submitted by Electricity Department with a recommendation of a Supplier. This was approved by CFO and MM for payment. - Sole Supplier R215 850.

Cheque 149359

Stenhoy SA Ltd: Requested by Mechanical Workshop CFO. The only supplier that could repair the lift on top of the truck.

Cheque 148999

Q-Data: Contract R61 314.03. Q-Data was appointed in 2004/05 to upgrade the physical computer room. They also performed additional work required/identified due to the warranty of the equipment and physical room being compromised. For the alarm system utilized they are the only authorised service and install agents.

Cheque 149337

Jacobscos: Memo with quotations and purchase request were approved by CFO and MM (Intel Comp). R79 498.80.

Cheque 149337 and 148672 Jacobscos

The Council signed a Master Systems Plan (MSP) and engaged SITA to assist Council in the 2004/05 Financial year. They then in terms of the MSP advised the Council on the purchase of computer equipment through their SMS as well as tender 183 and 256 processes. They also provided us with (Proline – Jacobscos) as the only Supplier in the Vaal Triangle with SITA accreditation. The process followed was advised to be in line with Municipal Finance Management Act Section 110 2(c) and the contract specify quotations for tender verification process as well as allowing Council to perform the verification only periodically. Only

quotations for single PC's are specified in the SITA Process.

C H Marthinissen

Payment was an emergency repair for a breakdown at a substation and the supplier. R133 423.32.

Yale Kaporo

Is the supplier manufacturer of the product and the repairs also seen as a specialised sole supplier. R7 478.40.

Q-Data

The Company performed work in terms of an old but still valid tender (1998/99) No additional quotes required. R109 845.81.

Prompvest

Mrs Moens was appointed by the Portfolio Finance Committee before the implementation of the Municipal Finance Management Act. The contract is hair based and was drafted in terms of the Local Government Transitional Act. R55 600.

Jacobsco

Appointed in terms of SITA. They are also utilized for emergency supply of non stock items by the IT Division. The two cheques 152984 and 153696 were items so purchased. The cash flow did not allow for stock keeping of these items. R12 999.99.

Zenfer

A subsequent service level agreement was also drafted. The other quotations were also obtained from companies that did not make presentations to the portfolio. R141 019.44.

KIO Pac

Specialist company appointed to perform emergency work on account printers and other. The previous company was disqualified due to attempted fraud. R29 872.49.

Road mix

Sole Supplier. R93 312.65.

Deosiza

R4 250. - Performance of Soweto String Quartet in Theatre.

Supervac Service

R10 276.92 - Cleaning of Sewer.

SizaMekaar Construction CC

R52 213 - Contract - Main Street, Deneysville - Tender.

The R772 326 amount is as follows:

- (i) The payments made to RoadMac Surfacing are based on the fact that this supplier is the manufacturer and sole suppliers of this product available. R377 079.25

- (ii) CK Industries is a specialized sole supplier of services to the Council. They are the license holder for Hymax telephones. R394 246.50.

#### 7.4 **Material losses, unauthorised, fruitless and wasteful expenditure and irregular expenditure**

- (a) Asset Register

Prior to the appointment of the vendor mentioned in the report approximately R450 000 was paid to Messrs BAUD for completion of our Municipal Asset Register. The Office of the Auditor General pronounced the expenditure to be fruitless. With the appointment of the vendor in terms of the Local Government Transitional Act Guidelines from 2004 it was essential to appoint a person with adequate skills and experience to ensure the previous mistakes are not repeated. The requirements to inspect the weak and contract of the vendor was not required as part of the audit but was audited during 2004/05. The supporting documents proved up to the part of completion of the audit was sufficient to show that the municipality complied with standards before 27 October 2006. The details of the appointment and results of the appointment were to be discussed on Friday 25 November 2006 at 12h00. The meeting could not continue due to the Consultant/Vendor being delayed by the instantly death of a municipal official on the access road. The accident also lead to the Chief Financial Officer not being available for the meeting as the person was reporting to the Chief Financial Officer. The information that the person was a distant relative to the Chief Financial Officer was disclosed by himself to the Municipal Manager and Auditor General representatives from June 2004 before the effective date of appointment. No further engagements could be secured to provide information to the Office of the Auditor General.

- (b) Photocopy machines

The photocopy machines have been procured in terms of the Supply Chain procedures of the Council. The delegated authority of the Municipal Manager stems from the Municipal Finance Management Act no 56 of 2003 being more than R10 million. The procurement was performed in line with a standing Council resolution and in line with Section 112(2)(b) of the Municipal Finance Management Act being procured by another organ of State. The expenditure was budgeted for and responded to the notice served to Council. The issue was not taken up with the Municipal Manager during the Audit.

- (c) Motor loan to a Director

The motor loan was governed by the contract of the Director and specific motor vehicle loan. The outstanding amount was claimed from the estate as per contract and commercial and estate laws applicable. All amounts owed directly to the late Director were paid into the loan. After the event all existing motor vehicle loans was secured by Council owned. Life Insurance on the life of all loan holders.

- (d) The amounts paid to directors and the Municipal Manager was subject to

restructuring of packages and retrospective back pay. All payment corrections was made and recovered if applicable after detail reconciliation of payments made. The overpayments were due to Council contributions being increased by the medical aid fund without adjustment of the salaries of directors as an oversight.

#### 7.5 **Going concern**

Noted.

- (a) A detail Debt Collection and Credit Control Policy was approved by Council. The growth of debtors is mainly due to the interest charged on the arrear accounts. Several additional actions were implemented during 2006/07 to improve the collection. The write off of debtors will be done in June 2007.
- (b) The water levies are being investigated and detailed Demand Management and Loss Control Management process and project was implemented. The project will address the loss in billing over a period of 3 years. The Council lost approximately R30 million from 2005 on the water account.
- (c) Noted
- (d) Noted

#### 7.6 **Non-compliance with laws and regulations**

- (a) The Mayoral Trust accounts have been compiled with the assistance of the Chief Financial Officer. These statements will have to be approved by the board of trustees and then be consolidated with the Municipal Statements.
- (b) Noted. This will be addressed in the 2006/07 IDP and Budget.
- (c) Noted. This will be addressed in the 2006/07 Budget process.
- (d) Noted. This matter will be addressed in 2006/07.
- (e) Noted. The WSDP will be compiled with assistance of DWAF for the 2007/08 Financial year.

#### 8 **Late finalisation of the audit report**

The late finalisation is noted. Due to the material changes in the report of the Auditor General some of the matters raised needed to the investigated and caused a delay in tabling the Component of the Annual report.

**METSIMAHOLO LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006**

	Note	2006	2005
<b><u>Net Assets and Liabilities</u></b>			
<b>Net Assets</b>		268,321,901	294,019,540
Housing Development Fund	1	4,524,715	4,736,108
Capital Replacement Reserve		10,236,260	6,155,169
Capitalisation reserve		156,277,804	169,964,578
Donations and public contribution reserves		56,814,419	47,721,693
Accumulated Surplus/(Accumulated Deficit)		40,468,703	65,441,992
<b><u>Non-current Liabilities</u></b>			
		10,579,101	6,039,291
Long-term liabilities	2	10,579,101	6,039,291
<b><u>Current Liabilities</u></b>			
		90,582,113	81,414,010
Consumer deposits	4	7,074,475	7,238,878
Provisions	5	4,808,066	4,437,244
Creditors	6	51,575,975	50,437,966
Unspent conditional grants and receipts	7	2,975,531	3,008,202
VAT	8	16,653,177	15,421,176
Bank overdraft	17	4,153,775	0
Current portion of long term liabilities	2	3,341,114	870,544
<b>Total Net Assets and Liabilities</b>		<b>369,483,115</b>	<b>381,472,841</b>
<b><u>Assets</u></b>			
<b><u>Non-current Assets</u></b>			
		236,876,461	232,602,636
Property, plant and equipment	9	224,751,004	217,629,679
Investments	11	6,654,456	9,426,099
Long-term receivables	12	5,471,001	5,546,858
<b><u>Current Assets</u></b>			
		132,606,654	148,870,205
Inventory	13	1,620,950	1,639,659
Consumer debtors	14	111,184,084	116,916,615
Other debtors	15	12,195,428	10,940,416
Current portion of long term loans debtors	12	588,389	1,437,224
Call Investment	16	7,012,488	16,479,019
Bank and Cash	17	5,315	1,457,272
<b>Total : Assets</b>		<b>369,483,115</b>	<b>381,472,841</b>

**METSIMAHOLO LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006**

Budget			Note	Actual	Actual
2005	2006			2006	2005
		<b>Revenue</b>			
44,384,740	52,309,080	Property Rates	18	47,526,282	47,554,191
166,864,800	190,163,640	Service Charges	19	134,041,197	129,011,338
3,558,060	3,106,110	Rental of facilities and equipment		5,564,927	5,428,113
3,512,500	4,511,620	Fines		4,038,647	4,800,535
26,633,380	66,415,550	Government Grants and Subsidies	20	45,812,171	48,876,032
1,440,000	1,750,000	Interest earned - External investments		2,255,683	3,178,288
5,050,000	4,000,000	Interest earned - Outstanding debtors		10,211,235	9,463,384
867,100	774,150	Rental Income		1,032,701	1,312,157
330,000	330,000	Licenses and Permits		70,065	77,060
56,000	1,966,060	Other Income	21	1,511,636	197,638
		Public contributions, donated and contributed, property, plant and equipment		0	553,620
		Gains on disposal of property, plant and Equipment		0	207,167
<b>252,696,580</b>	<b>325,326,210</b>	<b>Total Revenue</b>		<b>252,064,544</b>	<b>250,659,523</b>
		<b>Expenditure</b>			
71,613,060	76,044,560	Employee related costs	22	74,354,968	71,149,209
3,843,460	4,281,780	Remuneration of Councillors	23	4,608,026	3,684,034
13,000,000	16,000,000	Bad debts		16,000,000	13,000,000
2,284,210	2,000,000	Depreciation		22,969,792	68,199
10,781,880	15,008,900	Repairs and maintenance		12,970,006	9,547,841
768,900	1,505,440	Interest paid	24	893,547	866,283
97,001,710	109,882,950	Bulk purchases	25	90,197,746	89,916,579
4,686,940	5,511,750	Contracted services		6,249,476	5,186,096
5,625,000	6,403,250	Grants and Subsidies paid	26	11,642,256	7,758,711
31,829,350	44,803,050	General expenses - other	27	38,642,838	26,658,211
459,960	0	Contributions to/(Transfers from) Provisions		370,822	-609,448
		Loss on disposal of property, plant & equip.		0	
	6,860,000	Capital contribution		2,512,903	
<b>241,894,470</b>	<b>288,301,680</b>	<b>Total Expenditure</b>		<b>281,412,380</b>	<b>227,225,715</b>
<b>10,802,110</b>	<b>37,024,530</b>	<b>Surplus/(Deficit) for the year</b>		<b>-29,347,836</b>	<b>23,433,808</b>
Refer to Appendix E (1) for explanation of variances.					

**METSIMAHOLO LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006	2005
<b><u>Cashflow from Operating Activities</u></b>			
Cash receipts from rate payers, Government and others		223,084,172	232,425,900
Cash paid to Suppliers and employees		-230,181,003	-236,686,548
Cash generated from/(utilised in) operations	31	-7,096,831	-4,260,648
Interest received		12,466,918	12,641,672
Interest paid		-893,547	-866,283
<b>Net cash from Operating Activities</b>		<b>4,476,540</b>	<b>7,514,741</b>
<b><u>Cashflows from Investing Activities</u></b>			
Purchase of property, plant and equipment		-30,091,115	-25,703,395
Proceeds on disposal of property, plant & equipment		0	207,167
(Increase)/decrease in non-current receivables		924,692	770,573
Decreases in investments		19,250,662	15,959,206
<b>Net cash from Investing Activities</b>		<b>-9,915,761</b>	<b>-8,766,449</b>
<b><u>Cashflow from Financing Activities</u></b>			
New loans /(repaid)		7,010,380	-3,119,501
Increase in consumer deposits		-164,403	31,361
Decrease/(increase) in short-term loans			
<b>Net cash from financing activities</b>		<b>6,845,977</b>	<b>-3,088,140</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,406,756</b>	<b>4,339,848</b>
Cash and cash equivalents at the beginning of the year		1,457,272	-2,882,576
Cash and cash equivalents at the end of the year	32	2,864,028	1,457,272

**METSIMAHOLO LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006**

	Capital Replacement Reserve CRR	Housing Fund	Capital Reserve	Government Grants Reserve	Donations & Public Contributions Reserve	Revaluation Reserve	Other Services	Accumulated Surplus (Deficit)	Total
<b>Balance at 30 June 2004</b>	5,738,955	2,485,170	19,061,935	32,459,286	0	0	6,461,577	61,727,852	127,934,775
Surplus/(deficit) for the year								23,433,808	23,433,808
Transfer to CRR	3,060,251						-209,942	-2,850,309	0
Property, plant and equipm. purchased	-2,567,326		2,567,326						0
Capital grants used to purchase PPE				23,020,961				-23,020,961	0
Donated/contributed PPE									0
Transfer to Housing Developm. Fund		3,362,541							3,362,541
Asset disposals									0
Offsetting of depreciation			-22,806,202	-7,758,554			30,564,756		0
Expenditure	-76,711	-1,111,603							-1,188,314
Transfer from accumulated depreciation			171,141,518						171,141,518
Write off stock							94,259	-94,259	0
Transfer to Bad Debts							10,000,000	-10,000,000	0
Write off unallocated money							-3,796,630	3,796,630	0
Adjustments previous year							-61,662	61,662	0
Adjust VAT							-15,387,569	15,387,569	0
Transfer to Provision Leave							3,000,000	-3,000,000	0
<b>Balance at 30 June 2005</b>	6,155,169	4,736,108	169,964,577	47,721,693	0	0	30,664,789	65,441,992	324,684,328
Surplus/(deficit) for the year								-29,347,836	-29,347,836
Transfer to CRR	7,991,928						-5,479,025	0	2,512,903
Property, plant and equipm. purchased	-3,436,061							3,436,061	0
Capital grants used to purchase PPE				17,121,497				-17,121,497	0
Donated/contributed PPE									0
Transfer to Housing Developm. Fund		171,201							171,201
Asset disposals									0
Offsetting of depreciation			-13,687,632	-8,028,771				21,715,545	-858
Expenditure	-474,776	-382,594							-857,370
Transfer from accumulated depreciation			859						859
Write off stock								-9,410	-9,410
Transfer to Bad Debts								-5,000,000	-5,000,000
Write off DWAF								1,061,447	1,061,447
Adjustments previous year								-27,599	-27,599
Deposit Park Motors								6,000	6,000
Write off Deneysville account								314,000	314,000
<b>Balance at 30 June 2006</b>	10,236,260	4,524,715	156,277,804	56,814,419	0	0	25,185,764	40,468,703	293,507,665

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2006**

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

**1 BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for traffic fine income that is accounted for on the cash basis.

These annual financial statements have been prepared in accordance with Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practice (GRAP). These accounting policies are consistent with those of the previous financial year.

The Municipality may have transactions, events or balances that are outside the ambit of the accounting standards referred to above but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants - Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Boards and the South African Institute of Chartered Accountants' Accounting Practices Committee. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

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

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

**2 PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**3 GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4 HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No 107 of 1997). The proceeds of erven sold were allocated to the Erven Trust Fund. The funds are transferred from Erven Trust Fund to Housing Development Fund with the implementation of GAMAP. Moneys standing credit to the Fund can be used for the acquisition, planning and surveying of land.

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

## 5 RESERVES

### 5.1 *Capital Replacement Reserve (CRR)*

The account was the Asset Financing Reserve in 2003/2004 Financial Statements. In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution (Budget approval). A corresponding amount is transferred to a designated CRR investment account. The cash in the designated CRR investment account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

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

### 5.2 *Capitalisation Reserve*

During 2003/2004 the account was Future Depreciation Reserves: AFR. On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

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

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

### 5.3 *Government Grant Reserve*

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded a

revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

#### 5.4 *Donations and Public Contributions Reserve*

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

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

#### 5.5 *Paragraph 5.3 and 5.4 were two separate accounts during 2003/2004 and are currently combined as one account namely Future Depreciation Reserves: Government Grants, Public Contributions and Donations*

### 6 **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation, land and buildings. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

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

Subsequent expenditure is capitalized when the recognition and measurement criteria of assets are met.

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

<i>Infrastructure</i>	<u>Years</u>	Other	Years
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sewerage	15-20	Furniture and fittings	7-10
Housing	30	Watercraft	15
		Bins and containers	5
<i>Community</i>		Specialised plant and equipment	10-15
Buildings	30	Other items of plant and equipm.	2-5
Recreational Facilities	20-30	Landfill sites	15
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

The Municipality has an obligation to rehabilitate its landfill sites in terms of its licence stipulations. Provision is made for this obligation in accordance with the Municipality's accounting policy on non-current provisions - see Accounting Policy 14 on Provisions.

Accumulated depreciation was done with the implementation of the asset register.

## 7 REVALUATION OF LAND AND BUILDINGS

No revaluation of assets was done in 2005/2006.

## 8 INVESTMENTS

### 8.1 *Financial Instruments*

Financial instruments, which include fixed deposits, short-term deposits and call account investments invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

## 9 **INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable values. In general, the basis of determining cost is the first-in, first-out method.

## 10 **ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

## 11 **TRADE CREDITORS**

Trade creditors are stated at their nominal value.

## 12 **REVENUE RECOGNITION**

### 12.1 *Revenue from Exchange Transactions*

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized 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 recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale.

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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

Interest and rentals are recognized on a time proportion basis.

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

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

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognized on a time proportion.

Revenue from the sale of goods is recognized when the risk is passed to the consumer.

Revenue from public contributions is recognized 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 is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

## 12.2 *Revenue from non-exchange transactions*

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

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

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

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

Revenue from the recovery of unauthorized, 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 recognized when the recovery thereof from the responsible councilors or officials is virtually certain.

## 13 **CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognized 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 recognized.

## 14 **PROVISIONS**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

## 15 **CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking

institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

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

## **16 UNAUTHORISED EXPENDITURE**

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

## **17 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.

## **18 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## **19 FOREIGN CURRENCIES**

Not applicable to the Municipality.

## **20 COMPARATIVE INFORMATION**

### **20.1 *Prior year comparatives***

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

## 21 **RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

**METSIMAHOLO LOCAL MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
<b>1 <u>Housing Development Fund</u></b>		
Housing Development Fund	4,524,715	4,736,108
Unappropriated Surplus	4,524,715	4,736,108
The Housing Development Fund is represented by the following assets and liabilities:		
Unauthorised use of cash for other purposes		
Investments (see note 12)	4,524,715	4,736,108
<b>Total Housing Development Fund Assets and Liabilities</b>	4,524,715	4,736,108
<b>2 <u>Long-Term Liabilities</u></b>		
Annuity Loans	9,323,518	2,121,019
Government Loans : Housing/Selling scheme	138,561	153,474
Government Loans : Other/Hostel housing	168,337	235,330
Sub-total	9,630,416	2,509,823
Less: Current portion transferred to current liabilities	3,173,114	702,544
Annuity loans	3,086,749	620,637
Government loans : Housing/Selling scheme	15,821	14,913
Government loans : Other/Hostel housing	70,544	66,994
<b>Total : External loans</b>	6,457,302	1,807,279
Refer to Appendix A for more detail on long-term liabilities.		
R3 173 114 (2004 : R702 544) has been set aside for repayment of long-term liabilities.		
Refer to note 34 for more detail.		
<b><u>Other</u></b>		
Loan to RDP house owners	4,289,799	4,400,012
Less: Current portion transferred to current liabilities	168,000	168,000
<b>Total: Other</b>	4,121,799	4,232,012
<b>Total Long-Term Liabilities</b>	10,579,101	6,039,291
<b>4 <u>Consumer deposits</u></b>		
Total Electricity and Water	7,074,475	7,238,878
Guarantees in lieu of Electricity and Water deposits.	45,300	45,300

	2006	2005
<b>5 Provisions</b>		
Leave provision	4,808,066	4,437,244
Balance at beginning of year	4,437,244	2,046,692
Transfer		
Contributions	2,278,890	2,300,328
Expenditure	-1,908,068	-4,690,880
Balance at end of year	4,808,066	4,437,244

<b>6 Creditors</b>		
Trade Creditors	12,550,439	12,272,752
Other Creditors	20,402,863	25,611,114
Payments received in advance	18,622,673	12,554,100
<b>Total</b>	<b>51,575,975</b>	<b>50,437,966</b>

<b>7 Unspent Conditional Grants and Receipts</b>		
Conditional Grants from other spheres of Government	2,932,470	2,965,141
MIG Grants	1,344,448	2,415,689
DME	589,696	444,632
District Municipality	66,694	38,598
DWAF	299,042	
Provincial Government	632,590	66,222
Other Conditional Receipts	43,061	43,061
Develop Contribution - Electricity		
- Water		
Public Contribution SCI	43,061	43,061
<b>Total Conditional Grants and Receipts</b>	<b>2,975,531</b>	<b>3,008,202</b>

See Note 21 for reconciliation of grants from National/  
Provincial Government  
These amounts are invested in a ring-fenced investment until  
utilized

<b>8 Value Added Tax</b>		
VAT payable	16,653,177	15,421,176

VAT is payable on the receipts basis. Only once payment  
is received from debtors is VAT paid over to SARS.  
The VAT on Debtors amount to R13 189 539.

9 **Property, Plant and equipment**

	Land and Buildings	Infra- structure	Community	Heritage	Other	Housing	Total
<b>30 June 2006</b>							
<b>Reconciliation of Carrying Value</b>							
<b>Carrying values at 1 July 2005</b>	21,746,910	150,516,394	10,850,405	160,005	9,037,538	25,318,431	217,629,683
Cost	24,718,821	231,323,225	14,743,764	180,870	24,019,772	26,920,402	321,906,854
Correction of error (Note 32)	0	0	0	0	0	0	0
Revaluation							0
Accumulated depreciation							0
- Cost	2,971,911	80,806,831	3,893,359	20,865	14,982,234	1,601,971	104,277,171
- Revaluation							
Acquisitions	138,890	18,333,704	20,350	0	11,414,271	183,900	30,091,115
Capita under Construction							
Increases/decreases in revaluation							
Depreciation	1,050,111	16,610,717	784,084	-20,655	4,137,183	409,211	22,970,651
- based on cost	1,050,111	16,610,717	784,084	-20,655	4,137,183	0	22,561,440
- based on revaluation							
Carrying value of disposals	0	0	0	0	0	0	0
Cost/revaluation					204,907		204,907
Accumulated depreciation					204,907		204,907
Impairment losses							
Other movements					857		857
<b>Carrying values at 30 June 2006</b>	<b>20,835,689</b>	<b>152,239,381</b>	<b>10,086,671</b>	<b>180,660</b>	<b>16,315,483</b>	<b>25,093,120</b>	<b>224,751,004</b>
Cost	24,857,711	249,656,929	14,764,114	180,870	35,344,250	27,104,302	351,908,176
Revaluation							
Accumulated depreciation	4,022,022	97,417,548	4,677,443	210	19,028,767	2,011,182	127,157,172

	Land and Buildings	Infra- structure	Community	Heritage	Other	Housing	Total
<b>30 June 2005</b>							
<b>Reconciliation of Carrying Value</b>							
<b>Carrying values at 1 July 2004</b>	22,735,754	151,432,582	11,599,295	168,216	10,747,402	25,761,743	222,444,992
Cost	6,504,979	183,147,759	18,874,890	0	44,732,809	43,176,899	296,437,336
Correction of error (Note 32)	17,988,385	25,673,397	-4,653,905	180,870	-23,047,358	-16,256,497	-115,108
Revaluation							0
Accumulated depreciation							0
- Cost	1,757,610	57,388,574	2,621,690	12,654	10,938,049	1,158,659	73,877,236
- Revaluation							
Acquisitions	225,457	22,502,069	522,779	0	2,453,090		25,703,395
Capita under Construction							
Increases/decreases in revaluation							
Depreciation	1,214,301	23,418,257	1,271,669	8,211	4,278,058	443,312	30,633,808
- based on cost	1,214,301	23,418,257	1,271,669	8,211	4,278,058	443,312	30,633,808
- based on revaluation							
Carrying value of disposals	0	0	0	0	-115,104	0	-115,104
Cost/revaluation					118,765		118,765
Accumulated depreciation					-233,869		-233,869
Impairment losses							
Other movements							
<b>Carrying values at 30 June 2005</b>	<b>21,746,910</b>	<b>150,516,394</b>	<b>10,850,405</b>	<b>160,005</b>	<b>9,037,538</b>	<b>25,318,431</b>	<b>217,629,683</b>
Cost	24,718,821	231,323,225	14,743,764	180,870	24,019,772	26,920,402	321,906,854
Revaluation							
Accumulated depreciation	2,971,911	80,806,831	3,893,359	20,865	14,982,234	1,601,971	104,277,171

	2006	2005
<b>10 <u>Investment Property</u></b>		
None		
<b>11 <u>Investments</u></b>		
<b><u>Unlisted</u></b>		
Sanlam	6,625,119	9,401,158
Total Unlisted	<u>6,625,119</u>	<u>9,401,158</u>
<b><u>Financial Instruments</u></b>		
Fixed Deposits	0	0
Other Deposits (Collateral Housing Deposits)	29,337	24,941
Total Cash Investments	<u>29,337</u>	<u>24,941</u>
Total Investments	<u>6,654,456</u>	<u>9,426,099</u>
<b><u>Council Valuation of unlisted investments</u></b>		
Sanlam	6,625,119	9,401,158
Total	<u>6,625,119</u>	<u>9,401,158</u>
<b><u>Allocation of external investments</u></b>		
In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:		
Capital Replacement Reserve	0	6,155,169
Repayment of Fixed Period External loans	6,625,119	9,362,817
Creditor Obligations	0	3,008,202
Operating Accounts	0	2,642,822
Housing	0	4,736,108
Total	<u>6,625,119</u>	<u>25,905,118</u>
<b>12 <u>Long-Term Receivables</u></b>		
Staff housing loans	21,072	23,191
Car loans	1,097,700	1,890,697
Study loans	0	10,551
Housing selling scheme loans	667,012	667,012
Housing Loans RDP houses	4,273,606	4,392,631
	<u>6,059,390</u>	<u>6,984,082</u>
Less: Current portion transferred to current receivables	588,389	1,437,224
Staff housing loans	2,081	1,989
Car loans	418,308	589,672
Study loans	0	10,551
Housing selling scheme loans	0	667,012
Housing Loans RDP houses	168,000	168,000
Total Receivables	<u>5,471,001</u>	<u>5,546,858</u>

### **Staff housing loans**

2006

2005

The loan was granted to a staff member in 1984 at an interest rate of 5% according to the housing scheme that was then applicable. The loan will be fully redeemed in 2014.

### **Car loans**

Senior staff are entitled to car loans which attract interest at 8,5% per annum and which are repayable over a maximum period of 6 years. The scheme is the old Bargaining Council's motor scheme.

### **Study loans**

Employees are entitled to a study loan to a maximum of R10 000, at an interest rate of 8,5% and is repayable over a maximum period of 2 years. The scheme is not applicable anymore.

### **Housing Selling Scheme**

The loans were granted to the public by the former Development Board. The loans are in the process to be written off according to the R7 500 discount scheme by the State.

<b>13 Inventory</b>	2006	2005
Consumable Stores-at cost	1,554,828	1,573,537
Unsold properties	66,122	66,122
Total : Inventory	<u>1,620,950</u>	<u>1,639,659</u>

Inventory is net of specific provisions for obsolescence

**14 Consumer Debtors**

	Gross Balance	Provision for Bad Debts	Net Balance
	R	R	R
As at 30 June 2006			
<u>Service Debtors</u>	193,404,482	82,284,775	111,119,707
Rates	57,643,822		57,643,822
Electricity	27,691,721		27,691,721
Water	65,769,064		65,769,064
Sewerage	13,220,487		13,220,487
Refuse	29,079,388		29,079,388
Provision for Bad Debts		82,284,775	-82,284,775
Housing Rentals	64,377		64,377
Total : Consumer Debtors	<u>193,468,859</u>	<u>82,284,775</u>	<u>111,184,084</u>
As at 30 June 2005			
<u>Service Debtors</u>	178,146,040	61,293,802	116,852,238
Rates	63,702,449		63,702,449
Electricity	30,822,105		30,822,105
Water	44,885,990		44,885,990
Sewerage	10,205,532		10,205,532
Refuse	28,529,964		28,529,964
Provision for Bad Debts		61,293,802	-61,293,802
Housing Rentals	64,377		64,377
Total : Consumer Debtors	<u>178,210,417</u>	<u>61,293,802</u>	<u>116,916,615</u>

<b>Rates</b> Ageing	2006	2005
Current	7,456,108	9,758,460
1 - 30 days	3,808,021	5,610,861
31 - 60 days	2,433,085	4,230,851
61 - 90 days	962,099	1,063,221
91 - 120 days	936,951	1,035,429
120 + days	42,047,558	42,003,627

Total	<u>57,643,822</u>	<u>63,702,449</u>
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**Services** (Electricity, Water, Sewerage and Refuse) Ageing

Current	14,953,898	8,751,236
1 - 30 days	4,598,941	5,642,738
31 - 60 days	3,770,418	3,573,325
61 - 90 days	3,128,310	2,637,105
91 - 120 days	3,994,648	3,367,411
120 + days	105,314,445	90,471,776

Total	<u>135,760,660</u>	<u>114,443,591</u>
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**Housing Rentals** Ageing

+ 365 days	<u>64,377</u>	<u>64,377</u>
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**SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION**

30 June 2006	Consumers	Industrial Commercial	National and Prov. Govern.
Current	18,642,136	3,686,505	81,365
1 - 30 days	7,718,521	655,247	33,194
31 - 60 days	5,579,150	611,638	12,715
61 - 90 days	3,501,631	578,397	10,381
91 - 120 days	4,359,926	564,125	7,548
120 + days	<u>141,647,433</u>	<u>5,672,361</u>	<u>42,209</u>
Sub-total	181,448,797	11,768,273	187,412
Less: Provision for Bad Debts	82,284,775		
Total : Debtors by Customer Classification	<u>99,164,022</u>	<u>11,768,273</u>	<u>187,412</u>

Summary of Debtors by Classification

30 June 2005			
Current	29,711,572	5,364,112	1,014,645
1 - 30 days	7,650,655	918,996	100,385
31 - 60 days	5,288,299	434,308	36,536
61 - 90 days	3,498,374	172,499	29,453
91 - 120 days	4,192,550	185,129	25,161
120 + days	<u>115,524,844</u>	<u>3,992,580</u>	<u>70,319</u>
Sub-total	165,866,294	11,067,624	1,276,499
Less: Provision for Bad Debts	61,293,802		
Total : Debtors by Customer Classification	<u>104,572,492</u>	<u>11,067,624</u>	<u>1,276,499</u>

**Reconciliation of Bad Debts Provision**

	2006	2005
Balance at beginning of year	61,293,802	24,421,353
Contributions to Provision	21,000,000	36,970,902
Bad Debts written off against Provision	9,027	98,453
Balance at end of year	<u>82,284,775</u>	<u>61,293,802</u>

**15 Other Debtors**

Sundry Debtors	12,195,428	10,940,416
Total : Other Debtors	<u>12,195,428</u>	<u>10,940,416</u>

**16 Call Investment Deposits**

30 Days Deposits	7,012,488	16,479,019
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Deposits amounting to R7 012 488(2005: R6 155 169) have been ring - fenced for the purpose of the Capital Replacement Reserve and an amount of R6 625 119 (2005: R2 509 823) have been ring-fenced for the purpose of repaying long-term liabilities as set out in Note 34. (SANLAM)

**17 Bank, Cash and Overdraft Balances**

The Municipality have the following Bank accounts:

**Current Account (Primary Bank Account)**

ABSA - Sasolburg Branch  
Account No. 520 000 038

Cash book balance at beginning of year	<u>1,451,957</u>	<u>-2,887,891</u>
Cash book balance at end of year	<u>-4,153,775</u>	<u>1,451,957</u>
Bank Statement at beginning of year	<u>8,598,323</u>	<u>2,828,182</u>
Bank Statement at end of year	<u>2,408,182</u>	<u>8,598,323</u>

**Cash on Hand**

Balance at beginning of year	<u>5,315</u>	<u>5,315</u>
Balance at end of year	<u>5,315</u>	<u>5,315</u>

**Transmission Account**

ABSA Sasolburg Branch  
Account no. 520 000 062

18 **Property Rates**

2006                      2005

Actual

Residential	27,597,492	28,636,834
Commercial	4,812,214	4,524,219
Light Industries	1,499,434	1,545,531
Heavy Industries	12,326,259	11,678,455
State	1,290,883	1,172,153
Municipality		
Total Assessment Rates	<u>47,526,282</u>	<u>47,557,192</u>

June 2006                      June 2005  
R000's                              R000's

Valuations

Residential	333,107	329,637
Commercial	79,522	38,294
Light Industries	49,540	8,248
Heavy Industries	30,526	30,526
State	17,301	13,686
Municipality	46,127	46,127
Total Property Valuations	<u>556,123</u>	<u>466,518</u>

Valuations on land are performed every 5 (five) years. The last valuation came into effect on 1 July 2002. Interim valuations are processed monthly to take into account changes in individual property values due to alterations and subdivisions. Rebates of 20% are granted to State property owners. Rates are levied on a monthly basis. Interest is levied after 30 days at bank rate plus 1%.

**Sasolburg / Zamdela**

Residential:		
- Sasolburg	- 0,0904	cents per Rand
- Zamdela	- 0,1164	cents per Rand
Commercial	- 0,1211	cents per Rand
Light Industries	- 0,1800	cents per Rand
Heavy Industries	- 0,4040	cents per Rand
State	- 0,1211 - 20%	cents per Rand

**Deneysville / Refengkgotso**

Residential:		
- Deneysville	- 0,1180	cents per Rand
- Refengkgotso	- 0,0421	cents per Rand
Businesses	- 0,1955	cents per Rand
State	- 0,1955 - 20%	cents per Rand

**Oranjeville / Metsimaholo**

Residential:		
- Oranjeville	- 0,0644	cents per Rand
- Metsimaholo	- 0,0421	cents per Rand
Businesses	- 0,0743	cents per Rand
State	- 0,0743 - 20%	cents per Rand

19 <b><u>Services Charges</u></b>	2006	2005
Sale of Electricity	55,924,135	52,532,366
Sale of Water	56,389,739	54,173,299
Refuse removal	9,855,239	10,525,302
Sewerage and Sanitation charges	11,872,084	11,780,371
Total : Service Charges	<u>134,041,197</u>	<u>129,011,338</u>

20 **Government Grants and Subsidies**

Equitable share (Operating)	26,487,141	20,456,512
Provincial Health Subsidies (Operating)	0	4,696,783
Financial Management Grant (Operating)	2,203,534	1,197,156
Provincial Government (Operating)	0	58,240
Department of Water (Capital)	86,796	0
District Municipality (Capital)	5,037,594	5,595,239
DME (Capital)	854,936	1,358,556
Provincial Government MIG (Capital)	10,805,177	14,914,898
Financial Management Grant (Capital)	145,847	448,643
Transformation Grant (Capital)	0	150,000
Provincial Government (Capital)	46,025	
SCI (Capital)	145,121	
	<u>45,812,171</u>	<u>48,876,027</u>

**Equitable Share (Operating)**

In terms of The Constitution the grant is used to subsidise the provision of free basic services to all households (6kl water, 50 kWh Electricity and basic sewer) and approved indigents, that receive R60,00 per month plus 4kl water and refuse.

	<u>158</u>	<u>111</u>
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**Provincial Health Subsidies (Operating)**

Balance unspent at beginning of year		0
Current year receipts	0	4,696,783
Conditions met - transfer to revenue	0	-4,696,783
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

The Municipality renders health services on behalf of the Provincial Government and is refunded approximately 61% of total expenditure incurred. The grant has been used for clinic and environmental services. The conditions of the grant have been met.

**Financial Management Grant (Operating)**

Balance unspent at beginning of year	354,201	0
Current year receipts	1,854,153	1,551,357
Conditions met - transferred to revenue	2,203,534	1,197,156
Conditions still to be met - transferred to liabilities	<u>4,820</u>	<u>354,201</u>

The Municipality received the FMG from National Treasury. It is used for capacity building and assistance to Financial Services to improve service delivery.

**Provincial Government (Operating)**

	2006	2005
Balance unspent at beginning of year		0
Current year receipts	0	58,240
Conditions met - transferred to revenue	0	-58,240
Conditions still to be met - transferred to liabilities	0	0
	<u>0</u>	<u>0</u>

Funds received from Provincial Government to assist with IDP.

**District Municipality (Capital)**

Balance unspent at beginning of year	38,597	0
Current year receipts	5,065,692	5,633,836
Conditions met - transferred to revenue	-5,037,594	-5,595,239
Conditions still to be met - transferred to liabilities	66,695	38,597
	<u>66,695</u>	<u>38,597</u>

Capital projects (infrastructure) financed by the District Council.

**DME (Capital)**

Balance unspent at beginning of year	444,632	0
Current year receipts	1,000,000	1,803,188
Conditions met - transferred to revenue	-854,936	-1,358,556
Conditions still to be met - transferred to liabilities	589,696	444,632
	<u>589,696</u>	<u>444,632</u>

Installation of electricity in the Municipality's area, financed by DME.

**Department of Water**

Balance unspent at beginning of year		0
Current year receipts	385,839	0
Conditions met - transferred to revenue	-86,796	0
Conditions still to be met - transferred to liabilities	299,043	0
	<u>299,043</u>	<u>0</u>

Government Housing.

**Provincial Government**

Balance unspent at beginning of year		0
Current year receipts	78,615	0
Conditions met - transferred to revenue	-46,025	0
Conditions still to be met - transferred to liabilities	32,590	0
	<u>32,590</u>	<u>0</u>

Funds for waterworks at laboratory

**SCI (Capital)**

Balance unspent at beginning of year	0	0
Current year receipts	145,121	0
Conditions met - transferred to revenue	145,121	0
Conditions still to be met - transferred to liabilities	0	0
	<u>0</u>	<u>0</u>

Equipment for Library Zamdela

	2006	2005
<b><u>Provincial Government MIG (Capital)</u></b>		
Balance unspent at beginning of year	2,415,689	0
Current year receipts	9,733,936	17,330,587
Conditions met - transferred to revenue	-10,805,177	-14,914,898
Conditions still to be met - transferred to liabilities	<u>1,344,448</u>	<u>2,415,689</u>

Funds received for instalation of infrastructure

**Financial Management Grant Capital)**

Balance unspent at beginning of year		0
Current year receipts	145,847	448,648
Conditions met - transferred to revenue	-145,847	-448,648
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

The Municipality received the FMG from National Treasury. It is used for capacity building and assistance to Financial Services to improve service delivery.

**Transformation Grant ( Capital)**

Balance unspent at beginning of year	0	150,000
Current year receipts	0	0
Conditions met - transferred to revenue	0	-150,000
Conditions still to be met - transferred to liabilities	<u>0</u>	<u>0</u>

The Municipality received funds from National Government. It is used to assist Municipality with amalgamation in 2000.

**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.

21 **Other Income**

Selling of houses		-
Other Income	1,511,636	197,638
	<u>1,511,636</u>	<u>197,638</u>

	2006	2005
<b>22 <u>Employee related cost</u></b>		
Salaries and Wages	55,310,975	54,006,907
Council Contributions - UIF, pension, medical, group Ins.	10,960,464	10,146,056
Travel, Motor car, accommodation, subsistence and other allowance	2,469,321	2,049,171
Housing benefits and allowance	409,003	508,157
Overtime payments	5,205,205	4,438,918
Performance bonus	0	0
<b>Total Employee Related cost</b>	<b>74,354,968</b>	<b>71,149,209</b>

There was no advances to employees.  
Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

Annual Remuneration	370,795	372,461
Performance Bonuses		
Car Allowance	186,976	147,972
Contributions - UIF, pension, medical, group Ins.	81,603	70,207
Travel, Motor car, accommodation, subsistence and other allowance	12,120	6,183
<b>Total</b>	<b>651,494</b>	<b>596,823</b>

Remuneration of Chief Financial Officer

Annual Remuneration	331,307	303,835
Performance Bonuses		
Car Allowance	163,761	129,600
Contributions - UIF, pension, medical, group Ins.	52,041	63,590
Travel, Motor car, accommodation, subsistence and other allowance	12,120	7,128
<b>Total</b>	<b>559,229</b>	<b>504,153</b>

Remuneration of Directors - 2006

	Technical Services	Corporate Services	Social Services	Economic Developm
Annual Remuneration	308,780	378,632	332,907	339,353
Performance Bonuses	0	0	0	0
Car Allowance	163,761	163,761	119,974	163,761
Contributions - UIF, pension, medical, group Ins.	71,276	59,061	53,416	64,805
Travel, Motor car, accommodation, subsistence and other allowance	12,120	12,120	12,120	12,120
<b>Total</b>	<b>555,937</b>	<b>613,574</b>	<b>518,417</b>	<b>580,039</b>

Remuneration of Directors - 2005

	Technical Services	Corporate Services	Social Services	Economic Developm
Annual Remuneration	294,221	341,926	297,070	301,777
Performance Bonusses	0	0	0	0
Car Allowance	129,600	129,600	129,600	129,600
Contributions - UIF, pension, medical, group Ins.	73,198	25,500	70,356	65,649
Travel, Motor car, accommodation, subsistence and other allowance	7,128	7,128	7,128	7,128
<b>Total</b>	<b>504,147</b>	<b>504,154</b>	<b>504,154</b>	<b>504,154</b>

	2006	2005
<b>23 Remuneration of Councillors</b>		
Executive Mayor	284,493	209,015
Speaker	275,283	163,001
Mayoral Committee Members	1,498,103	1,042,715
Councillors	1,509,411	1,262,496
Councillors' pension contribution	297,660	297,242
Councillors' medical contribution	178,881	197,966
Housing subsidy		
Traveling allowance	564,195	511,599
Total Councillors' Remuneration	<u>4,608,026</u>	<u>3,684,034</u>

**In Kind Benefits**

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

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

**24 Interest Paid**

Long term Liabilities	893,547	866,283
Total Interest on External Borrowings	<u>893,547</u>	<u>866,283</u>

**25 Bulk purchases**

Electricity	35,640,208	34,428,042
Water	54,557,538	55,488,537
Total Bulk purchases	<u>90,197,746</u>	<u>89,916,579</u>

**26 Grants and Subsidies paid**

Grant to Community Chess	20,000	18,232
Equitable Share	11,622,256	7,740,479
Total Grants and Subsidy	<u>11,642,256</u>	<u>7,758,711</u>

Council contribute annually to the community chess. One of the Mayoral Committee members sits on the Governing body of the Community Chess.

	2006	2005
<b>27 <u>General expenses - Other</u></b>		
Audit Fees	1,978,182	1,045,391
Bank Charges	1,363,133	791,195
Financial Management Grant	1,147,526	443,942
Insurance Premium	1,397,030	1,133,857
Insurance Aggregate	0	125,808
Regional Services Levy	367,954	261,382
Skills Development	615,564	371,883
Advertising	218,499	208,998
Bursaries	58,062	137,357
Computer Systems	0	156,848
Conference and Delegations	347,655	247,865
Connection Charges	362,726	430,986
Entertainment	470,764	175,926
Fuel and Oil Vehicles	2,531,152	1,943,635
Insurance access	0	168,052
Membership Fees	350,817	345,539
Postage	767,080	615,237
Printing and Stationary	621,818	505,073
Professional Fees	3,784,604	722,727
Rental: External Equipment	2,346,049	932,867
Sewer treatment charges	7,278,844	6,415,405
Stocks and Material	1,148,037	1,105,855
Telephone	2,071,024	1,899,990
Training	377,294	377,053
Uniforms and Overalls	317,465	252,235
Legal Expenses	1,286,361	518,122
Transport claims	201,973	92,499
Departmental Consumption	5,193,674	4,430,843
License fees Vehicles	129,324	
Other	1,910,227	1,174,074
	<u>38,642,838</u>	<u>27,030,644</u>

	2006	2005
<b>28 <u>Change in Accounting Policy - implementation of GAMAP</u></b>		
<b><u>None</u></b>		
28.1 <b><u>Statutory Funds</u></b>		
28.2 <b><u>Loans Redeemed and Other Capital Receipts</u></b>		
28.3 <b><u>Provisions and Reserves</u></b>		
28.4 <b><u>Accumulated Depreciation</u></b>		
28.5 <b><u>Accumulated Surplus/(Deficit)</u></b>		
<b>29 <u>Change in accounting policy</u></b>		
None		
<b>30 <u>Correction of error</u></b>		
Refer to note 10: 30 June 2005		
The opening balances at cost at 1 July 2004 were adjusted between the various categories to be in line with the newly implemented Asset Register. An amount of R115 112 adjusted the opening balance. This were two cheques issued in 2003/2004 and cancelled in 2004/2005.		
<b>31 <u>Cash Generated by Operations</u></b>		
Net surplus/deficit for the year	-29,347,836	23,433,808
Adjustment for:		
Depreciation	22,969,792	68,199
Provision for bad debts		
Investment income	-12,466,918	-12,641,672
Interest paid	893,547	866,283
Gain on disposal of property, plant and equipment	0	207,167
Contributions to provisions	2,888,806	-23,150
Operating surplus before working capital changes:	-15,062,609	11,910,635
(Increase) / Decrease in inventory	18,709	-319,421
(Increase) / Decrease in consumer debtors	-15,258,442	-45,938,435
(Increase) / Decrease in other debtors	-1,255,012	-3,431,526
Increase /( Decrease) in creditors	1,138,009	-9,698,543
Increase / (Decrease) in Conditional Grants	-32,671	2,503,367
Increase /(Decrease) in VAT	1,232,001	15,421,176
Increase /( Decrease) in Provisions	21,361,795	25,292,099
Increase /( Decrease) in Other Funds	761,389	
Cash Generated by/(utilized in) Operations	-7,096,831	-4,260,648

	2006	2005
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32 **Cash and Cash equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating the financial position.

Bank balance/ cash	5,315	1,457,272
Call Investment Deposit	7,012,488	
Bank overdraft	-4,153,775	0
 Total in cash and cash equivalents	 2,864,028	 1,457,272

33 **Utilization of Long-term liabilities reconciliation**

Long-term liabilities (Note 2)	1,807,279	2,509,823
Used to finance property, plant and equipment	-1,807,279	-2,509,823
 Sub-total	 0	 0
 Cash set aside for repayment of long-term liabilities (note 17)	 1,807,279	 2,509,823
 Cash invested for repayment of long- term liabilities	 1,807,279	 2,509,823

34 **Unauthorized expenditure**

None

	2006	2005
<b>35 <u>Additional Disclosures in terms of Municipal Finance Management Act</u></b>		
<b>35.1 <u>Contributions to Salga</u></b>		
Opening balance		
Council Subscriptions	329,839	361,666
Amount paid - current year	-329,839	-361,666
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
<b>35.2 <u>Audit Fees</u></b>		
Opening balance	0	0
Current year audit fee	1,978,182	1,143,493
Amount paid - current year	-1,978,182	-1,143,493
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
<b>35.3 <u>VAT</u></b>		
VAT payable is shown in note 8. All VAT returns have been submitted by the due date throughout the year.		
<b>35.4 <u>PAYE and UIF</u></b>		
Opening balance		-
Current year payroll deductions	9,051,732	6,404,575
Amount paid - current year	-9,051,732	-6,404,575
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
<b>35.5 <u>Pension and Medical Aid Deductions</u></b>		
Opening balance	-	-
Current year payroll deductions	17,571,654	9,805,755
Amount paid - current year	-17,571,654	-9,805,755
Amount paid - previous year		
Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>

35.6 **Councillor's arrear accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at :

<b><u>30 June 2006</u></b>	Total	Outstanding less than 90 days	Outstanding more than 90 days
T. du Toit	2,518	1,802	716
N.T Mosai	3,260	50	3,210
Total Councillor arrear consumer accounts	<u>5,778</u>	<u>1,852</u>	<u>3,926</u>

<b><u>30 June 2005</u></b>	Total	Outstanding less than 90 days	Outstanding more than 90 days
M Mokubung	1,693	551	1,142
M A Malindi	4,031	214	3,817
Total Councillor arrear consumer accounts	<u>5,724</u>	<u>765</u>	<u>4,959</u>

During the year the following Councillor's had arrear accounts outstanding for more than 90 days

<b><u>30 June 2006</u></b>	Highest amount outstanding	Ageing
T. du Toit	3,856	150
N.T. Mosai	<u>3,542</u>	<u>1,500</u>

<b><u>30 June 2005</u></b>	Highest amount outstanding	Ageing
M Mokubung	2,039	210
M A Malindi	<u>4,722</u>	<u>300</u>

35.7 **None-compliance with Chapter 11 of MFMA**

	2006	2005
<b>36 <u>Capital Commitments</u></b>		
- Commitments in respect of capital expenditure		
- Approved and contracted for:		
- Infrastructure	2,975,531	2,903,381
- Community		
- Heritage		
- Other		
- Housing		
- Investment Properties		
- Approved but not yet contracted for:		
- Infrastructure		
- Community		
- Heritage		
- Other		
- Housing		
- Investment Properties		
 This expenditure will be financed from:		
- External Loans		
- Asset Financing Reserve		
- Government Grants	2,975,531	2,860,321
- District Council Grants		
- Other	0	43,060

An amount of R9 733 936 was received from MIG and all the conditions have not been met yet. (2005/2006)

An amount of R1 000 000 :2006 ( R444 632: 2005) is for DME Grants that the full conditions have not been met yet.

An amount of R385 839 is received from DWAF and all the conditions have not been met yet. (2005/2006)

### 37 Retirement Benefit Information

The Councillors can belong to the Municipal Councillors Pension Fund. The Fund is subject to an actuarial valuation. The latest valuation was done on 30 June 2001 and reflected a net return of 9,6% on the Gratuity Section.

The employees contribute to the Free State Municipal Pension Fund, Sala Pension Fund, Free State Municipal Provident Fund and SAMWU Provident Fund. The pension funds are subject to actuarial valuation. The latest actuarial valuation of the first fund was on 30 June 2002 and reflected a sound financial position. The Free State Provident Fund's latest actuarial valuation was on 30 June 2001 and reflected a sound financial position. The latest actuarial valuation of Sala Pension Fund was on 1 July 1995 and reflected a deficit of 2%.

	2006	2005
<b>38 <u>Contingent Liability</u></b>		
Council is being sued by a creditor for services rendered without an order.	<u>0</u>	<u>0</u>
<b>39 <u>Contingent Asset</u></b>		
None		
<b>40 <u>In-kind Donations and Assistance</u></b>		
None		
<b>41 <u>Private Public Partnership</u></b>		
None		
<b>42 <u>Events after the reporting date</u></b>		
<b>43 <u>Comparison with Budget</u></b>		
The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).		
<b>44 <u>Disclosure of related parties</u></b>		
Councillor N M Mtimkulu:Letsema Civil Works	40,443.87	
Mr M Penkin : CT Computers	78,264.59	
Councillor N M Mtimkulu:Letsema Cleansing Services	525,965.87	
Councillor S I Ramathesele : Mamohato Construction	4,326.30	

METSIMAHOLO LOCAL MUNICIPALITY							APPENDIX A	
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006								
	Loan Number	Redeemable	Balance at 1 July 2005	Received during period	Redeemed/ Written off during the period	Balance at 30 June 2006	Carrying Value of Property of Plant and Equipment	Other costs in accordance with MFMA
<b>Long Term loans</b>								
<b>Annuity loans</b>								
	8	30/6/2007	15,407		7,138	8,269		
	9	30/6/2007	33,616		15,573	18,043		
	10	30/6/2007	97,386		27,808	69,578		
	11	30/6/2008	35,418		8,298	27,120		
	1	31/3/2008	1,939,192		561,757	1,377,435	2,303,120	
	2			10,000,000	2,176,927	7,823,073		
			2,121,019	10,000,000	2,797,501	9,323,518	2,303,120	
<b>Housing loans</b>								
	100	31/3/2007	29,387		14,248	15,139		
	101	30/9/2008	36,356		9,089	27,267		
	102	30/9/2007	41,866		16,008	25,858		
	B13	31/3/2008	2,703		848	1,855		
	104	30/9/2008	32,651		8,650	24,001		
	105	30/9/2009	95,070		18,998	76,072		
	B93	30/9/2013	60,846		5,676	55,170		
	B97	30/9/2013	89,925		8,389	81,536		
			388,804	0	81,906	306,898		
<b>Total : External Loans</b>			2,509,823	10,000,000	2,879,407	9,630,416	2,303,120	
It was not a requirement in the past to link loans and assets.								
Due to a lack of information, the loans ,except Annuity loan 1 and 2 cannot be linked								
DBSA loans were for infrastructure in the Deneysville/Refenggotso Council								
Housing loans (F.D.B) were for hostels and houses in Zamdela area								

METSIMAHOLO LOCAL MUNICIPALITY											
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT											
	Cost / Revaluation					Accumulated Depreciation					
	Opening Balance	Additions	Transfer Balance	Disposals	Closing Balance	Opening Balance	Additions	Transfer	Disposals	Closing Balance	Carrying Value
<b>Land and Buildings</b>											
Land											0
Buildings	24,718,821	138,890	0		24,857,711	2,971,911	1,050,111			4,022,022	20,835,689
	24,718,821	138,890	0	0	24,857,711	2,971,911	1,050,111		0	4,022,022	20,835,689
<b>Infrastructure</b>											
Stormwater	14,594,405	4,772,016	0		19,366,421	3,230,454	1,972,685			5,203,139	14,163,282
Roads	69,892,320	1,872,639	0		71,764,959	35,123,142	5,977,717			41,100,859	30,664,100
Sewerage Mains & Purification	50,900,724	6,507,602	0		57,408,326	9,916,699	2,818,342			12,735,041	44,673,285
Electricity Mains	52,772,026	3,541,565	0		56,313,591	16,856,720	3,293,267			20,149,987	36,163,604
Electricity Peak Load Equipment	1,531,860		0		1,531,860	322,169	151,776			473,945	1,057,915
Water Mains & Purification	39,956,424	1,493,830	0		41,450,254	14,073,597	2,368,053			16,441,650	25,008,604
Reservoirs - Water	1,675,466	146,052	0		1,821,518	1,284,050	28,877			1,312,927	508,591
Water Meters										0	0
Refuse dumps	0		0		0					0	0
	231,323,225	18,333,704	0	0	249,656,929	80,806,831	16,610,717		0	97,417,548	152,239,381
<b>Community Assets</b>											
Parks	3,069,420	20,350	0		3,089,770	1,960,183	265,236			2,225,419	864,351
Libraries	0		0		0					0	0
Stadiums	4,070,312		0		4,070,312	466,274	179,926			646,200	3,424,112
Halls	3,531,365	0	0		3,531,365	547,665	122,855			670,520	2,860,845
Theatre	0		0		0		0			0	0
Swimming Pools	1,128,024	0	0		1,128,024	217,362	114,576			331,938	796,086
Recreation facilities	566,445		0		566,445	68,002	27,913			95,915	470,530
Clinics	1,510,821	0	0		1,510,821	543,566	43,595			587,161	923,660
Cemetery	867,377	0	0		867,377	90,307	29,983			120,290	747,087
	14,743,764	20,350	0	0	14,764,114	3,893,359	784,084		0	4,677,443	10,086,671

Heritage											
Paintings,sculptures,ect	180,870		0		180,870	20,865	-20,655			210	180,660
	180,870	0	0	0	180,870	20,865	-20,655		0	210	180,660
<b>Other Assets</b>											
<b>Landfill Sites</b>											
Furniture	3,492,557	173,412	5,892	1,021	3,670,840	1,758,601	463,505	617	1,021	2,221,702	1,449,138
Office equipment	896,225	84,706	-3,432		977,499	598,543	114,783	-114		713,212	264,287
Emergency equipment			0		0					0	0
Motor vehicles	5,635,917	3,378,475	0	1,431	9,012,961	3,188,135	1,101,907	-860	1,431	4,287,751	4,725,210
Fire Engines	340,923	1,847,920	0		2,188,843	52,558	63,244			115,802	2,073,041
Refuse Trucks	3,046,480	3,894,777	0	84,433	6,856,824	2,241,663	1,064,620		84,433	3,221,850	3,634,974
Computer equipment	4,881,104	1,208,754	23,908	23,908	6,089,858	2,901,811	809,753	23,908	23,908	3,711,564	2,378,294
Councillor's Regalia					0		0			0	0
Other assets	5,726,568	826,227	88,744	94,114	6,547,425	4,240,931	519,371	90,698	94,114	4,756,886	1,790,539
	24,019,774	11,414,271	115,112	204,907	35,344,250	14,982,242	4,137,183	114,249	204,907	19,028,767	16,315,483
<b>Housing</b>											
Hostels	25,656,292		0		25,656,292	1,445,742	353,291			1,799,033	23,857,259
Housing Rental	1,264,110	183,900	0		1,448,010	156,229	55,920			212,149	1,235,861
	26,920,402	183,900	0	0	27,104,302	1,601,971	409,211	0	0	2,011,182	25,093,120
<b>Total</b>	321,906,856	30,091,115	115,112	204,907	351,908,176	104,277,179	22,970,651	114,249	204,907	127,157,172	224,751,004
Problems are experienced with the asset register to be in line with GAMAP.											
1. Depreciation is done with implementation of Asset Register, but further adjustments will be made to correct depreciation on the assets taken up											
2. Loans redeemed and other capital receipts were allocated to accumulated depreciation, as well as Loan Redemption Fund.											

METSIMAHOLO LOCAL MUNICIPALITY											APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT											
	COST				ACCUMULATED DEPRECIATION						
	Opening Balance	Additions	Transfer Balance	Disposals	Closing Balance	Opening Balance	Additions	Transfer	Disposals	Closing Balance	Carrying Value
Office of the Municipal Manager	775,948	0	0	0	775,948	295,502	102,981		0	398,483	377,465
Corporate Services	24,182,910	288,660	-101	1,021	24,470,448	6,068,649	1,469,036	-68	1,021	7,536,596	16,933,852
Information Technology	5,125,453	0	-1,136,217	0	3,989,236	3,457,553	301,482	-69,682	0	3,689,353	299,883
Health Services	2,032,999	0	-84	0	2,032,915	759,126	99,475	-37	0	858,564	1,174,351
Cleansing Services	3,590,786	2,375,962	0	0	5,966,748	1,885,330	746,836	0	0	2,632,166	3,334,582
Public Safety	3,947,036	3,527,040	0	0	7,474,076	1,341,081	624,763	0	0	1,965,844	5,508,232
Parks and Recreation	1,365,230	1,078,213	0	76,623	2,366,820	602,015	355,640	0	76,623	881,032	1,485,788
Pleasure Resorts	542,242	126,307	0	0	668,549	216,738	96,556	0	0	313,294	355,255
Community Centres	1,009,265	10,602	0	0	1,019,867	200,118	78,620	0	0	278,738	741,129
Stadiums	5,422,943	0	0	0	5,422,943	614,270	209,655	0	0	823,925	4,599,018
Swimming Pools	670,718	0	0	0	670,718	138,232	45,092	0	0	183,324	487,394
Cemeteries	1,157,557	0	0	0	1,157,557	365,478	37,836	0	0	403,314	754,243
Libraries	699,349	179,929	0	0	879,278	418,444	47,529	0	0	465,973	413,305
Technical Services	247,330	8,917	-4,520	0	251,727	137,779	34,825	-13	0	172,591	79,136
Electricity	47,017,107	5,047,115	0	7,810	52,056,412	11,134,658	3,560,039	0	7,810	14,686,887	37,369,525
Mechanical Workshop	356,052	49,256	0	2,914	402,394	149,837	57,761	0	2,914	204,684	197,710
Streets and Stormwater	82,105,149	6,751,317	217,039	92,631	88,980,874	37,975,338	8,069,078	211,688	92,631	46,163,473	42,817,401
Buildings	165,829	121,207	0	0	286,836	88,054	45,426	0	0	133,480	153,356
Sewerage	53,743,632	6,736,136	-121,346	0	60,358,422	11,027,853	2,960,734	-121,347	0	13,867,240	46,491,182
Water	41,128,158	2,005,460	0	0	43,133,618	15,519,002	2,447,058	0	0	17,966,060	25,167,558
Financial Services	2,360,726	1,069,503	1,160,341	23,908	4,566,662	1,112,474	584,562	93,708	23,908	1,766,836	2,799,826
Economical Development and Planning	0	0	0	0	0	0	0	0	0	0	0
Housing Admin	46,196	0	0	0	46,196	550	6,599	0	0	7,149	39,047
Property Admin	7,265,847	0	0	0	7,265,847	7,225,147	15,023	0	0	7,240,170	25,677
Urban Planning	557,729	594,879	0	0	1,152,608	546,619	69,085	0	0	615,704	536,904
Urban Planning	36,390,865	120,612	0	0	36,511,477	2,997,332	904,960	0	0	3,902,292	32,609,185
<b>TOTAL</b>	<b>321,906,856</b>	<b>30,091,115</b>	<b>115,112</b>	<b>204,907</b>	<b>351,908,176</b>	<b>104,277,179</b>	<b>22,970,651</b>	<b>114,249</b>	<b>204,907</b>	<b>127,157,172</b>	<b>224,751,004</b>

METSIMAHOLO LOCAL MUNICIPALITY						
SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2006						
2005	2005	2005		2006	2006	2006
Actual	Actual	Surplus/ (Deficit)		Actual	Actual	Surplus/ (Deficit)
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)
<b>125,572,412</b>	<b>120,112,931</b>	<b>5,459,481</b>	<b>Rates and General Services</b>	<b>118,423,213</b>	<b>133,156,877</b>	<b>-14,733,664</b>
<b>86,654,767</b>	<b>70,077,425</b>	<b>16,577,342</b>	<b>Community Services</b>	<b>84,128,240</b>	<b>85,564,021</b>	<b>-1,435,781</b>
226,300	1,290,504	-1,064,204	Executive Mayor : Admin	150,000	1,209,802	-1,059,802
0	280,068	-280,068	Youth Unit	0	326,729	-326,729
0	0	0	Age/Disability/Gender/Children	0	78,505	-78,505
0	1,147,370	-1,147,370	Speaker : Admin	8,615	1,256,718	-1,248,103
0	1,516,882	-1,516,882	Mayoral Committee	0	1,659,515	-1,659,515
0	1,713,036	-1,713,036	Councillors	0	2,390,994	-2,390,994
0	815,534	-815,534	Municipal Manager : Admin	0	1,251,738	-1,251,738
58,240	209,117	-150,877	IDP and PMS	0	186,119	-186,119
0	247,686	-247,686	Internal Audit	0	116,932	-116,932
0	111,441	-111,441	Masakhane/IEC	0	0	0
0	712,091	-712,091	Director : Transformation & Corp.	0	791,358	-791,358
25,359	2,112,381	-2,087,022	Corporate Service : Admin	17,513	2,941,907	-2,924,394
0	837,953	-837,953	Human Resources	0	1,107,348	-1,107,348
0	988,895	-988,895	Legal Services	0	773,127	-773,127
0	2,180,473	-2,180,473	Civic Centre	0	3,390,402	-3,390,402
0	116,843	-116,843	Staff housing - hostels & dwellings	0	464,860	-464,860
150,773	1,653,709	-1,502,936	Business System	0	1,536,397	-1,536,397
0	825,428	-825,428	Director : Social Services	0	811,768	-811,768
126	492,502	-492,376	Health Services : Admin	0	0	0
4,696,657	3,808,031	888,626	Clinic Services	0	0	0

0	385,050	-385,050	Public Safety & Security : Admin	0	482,835	-482,835
0	323,493	-323,493	Disaster & Emergency Management	0	354,462	-354,462
0	1,244,096	-1,244,096	Security Services	0	1,837,855	-1,837,855
5,265,285	6,051,371	-786,086	Traffic Services	4,395,644	6,678,822	-2,283,178
87,379	7,131,894	-7,044,515	Parks, Recreation & Open Spaces	63,816	8,206,409	-8,142,593
0	176,632	-176,632	Director : Technical Services	0	216,446	-216,446
0	1,556,886	-1,556,886	Engineering Workshop	0	1,936,555	-1,936,555
67,631	600,350	-532,719	Civil Engineering : Admin	67,112	918,578	-851,466
5,509,779	12,747,814	-7,238,035	Streets & Stormwater	6,102,899	16,605,986	-10,503,087
0	2,531,112	-2,531,112	Building Maintenance	0	2,841,446	-2,841,446
0	602,419	-602,419	Director : Financial Services	0	409,115	-409,115
18,321,845	12,163,361	6,158,484	Financial Services : Admin	20,454,710	19,774,535	680,175
10,772	413,650	-402,878	Stores and Purchasing	12,468	333,374	-320,906
52,081,344	0	52,081,344	Assessment Rates	52,173,168	0	52,173,168
0	1,242,428	-1,242,428	Director : Economic Dev. & Planning	0	742,326	-742,326
0	17,982	-17,982	Housing prop. & Urban Plan. : Admin	0	406,027	-406,027
0	815,881	-815,881	Property Admin	0	837,770	-837,770
152,060	1,007,364	-855,304	Urban Planning	681,071	2,331,743	-1,650,672
0	5,698	-5,698	Econ. Development : Admin	0	352,213	-352,213
1,217	0	1,217	Marketing and Tourism	1,224	3,305	-2,081

<b>742,730</b>	<b>10,874,455</b>	<b>-10,131,725</b>	<b>Subsidized Services</b>	<b>488,134</b>	<b>12,967,399</b>	<b>-12,479,265</b>
0	4,650,582	-4,650,582	Fire Protection Services	0	5,135,826	-5,135,826
48,333	649,785	-601,452	Etienne Rousseau Theatre	46,952	833,339	-786,387
0	0	0	Zamdela Arts and Culture Centre	0	0	0
4,080	2,157	1,923	Refengkgotso Hall	2,050	975	1,075
0	2,504	-2,504	Metsimaholo Hall	0	13,649	-13,649
340,000	574,735	-234,735	Zamdela Community Hall	0	355,091	-355,091
33,001	592,366	-559,365	D P de Villiers Stadium	27,010	1,265,262	-1,238,252
100	284,901	-284,801	Moses Kotoane Stadium	5,570	552,419	-546,849
0	7,367	-7,367	Refengkgotso Stadium	0	7,823	-7,823
0	0	0	Metsimaholo Stadium	0	8,545	-8,545
40,629	766,124	-725,495	Penny Heyns Swimming pool	53,099	999,996	-946,897
100,308	526,216	-425,908	Zamdela Swimming pool	53	480,070	-480,017
65,585	379,301	-313,716	Sasolburg Cemetery	86,723	521,655	-434,932
20,232	246,080	-225,848	Zamdela Cemetery	39,413	228,048	-188,635
0	7,380	-7,380	Deneysville Cemetery	0	42,469	-42,469
0	271	-271	Oranjeville Cemetery	0	1,023	-1,023
89,791	1,788,801	-1,699,010	Sasolburg Library	82,143	1,998,264	-1,916,121
671	226,868	-226,197	Zamdela Library	145,121	346,893	-201,772
0	168,150	-168,150	Deneysville Library	0	172,437	-172,437
0	867	-867	Oranjeville Library	0	3,615	-3,615
<b>38,174,915</b>	<b>39,161,051</b>	<b>-986,136</b>	<b>Economical Services</b>	<b>33,806,839</b>	<b>34,625,457</b>	<b>-818,618</b>
11,532,212	11,197,741	334,471	Cleansing Services	12,734,026	13,669,224	-935,198
1,481,361	1,832,590	-351,229	Abrahamsrust Holiday Resort	1,059,443	2,251,041	-1,191,598
0	9,509	-9,509	Deneysville Shore facility	0	6,238	-6,238
24,235	4,508	19,727	Oranjeville Shore facility	150	2,071	-1,921
25,137,107	26,116,703	-979,596	Sewerage	20,013,220	18,696,883	1,316,337
<b>298,865</b>	<b>1,379,563</b>	<b>-1,080,698</b>	<b>Housing Services</b>	<b>255,442</b>	<b>1,779,913</b>	<b>-1,524,471</b>
298,865	1,379,563	-1,080,698	Housing Admin	255,442	1,764,891	-1,509,449
<b>124,788,246</b>	<b>131,604,491</b>	<b>-6,816,245</b>	<b>Trading Services</b>	<b>133,385,889</b>	<b>146,475,590</b>	<b>-13,089,701</b>
57,796,156	47,004,189	10,791,967	Electricity : Admin	61,102,258	53,794,848	7,307,410
1,621,207	9,387,458	-7,766,251	Electricity : Distribution	2,809,661	14,296,834	-11,487,173
59,417,363	56,391,647	3,025,716	Electricity	63,911,919	68,091,682	-4,179,763
65,370,883	75,212,844	-9,841,961	Water Service	69,473,970	78,383,908	-8,909,938
<b>250,659,523</b>	<b>253,096,985</b>	<b>-2,437,462</b>	<b>Total</b>	<b>252,064,544</b>	<b>281,412,380</b>	<b>-29,347,836</b>

METSIMAHOLO LOCAL MUNICIPALITY					Explanation of
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2006					Significant Variance
	2006	2006	2006	2006	greater than 10%
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	Versus Budget
<b>Revenue</b>					
Property Rates	47,526,282	52,309,080	-4,782,798	-9.14	
Service Charges	134,041,197	190,163,640	-56,122,443	-29.51	1*
Tariff Charges	5,564,927	3,106,110	2,458,817	79.16	2*
Fines	4,038,647	4,511,620	-472,973	-10.48	3*
Government Grant and Subs.	28,690,675	29,372,000	-681,325	-2.32	
Interest earned - external investments	2,380,632	1,750,000	630,632	36.04	4*
Interest earned - outstanding debtors	10,086,286	4,000,000	6,086,286	152.16	5*
Rental facilities and Equipment	1,032,701	774,150	258,551	33.40	6*
Licenses and Permits	70,065	330,000	-259,935	-78.77	7*
Profit sale of Assets	0	0	0	0.00	
Other income	1,511,636	1,966,060	-454,424	-23.11	8*
Capital Grants and Subsidies	17,121,496	37,043,550	-19,922,054	-53.78	9*
<b>Total Revenue</b>	<b>252,064,544</b>	<b>325,326,210</b>	<b>-73,261,666</b>	<b>-22.52</b>	
<b>Expenditure</b>					
Employee related costs	74,845,195	76,044,560	-1,199,365	-1.58	
Remuneration of Councillors	4,117,799	4,281,780	-163,981	-3.83	
Bad debts	16,000,000	16,000,000	0	0.00	
Collection Cost	0	0	0		
Depreciation	22,969,792	2,000,000	20,969,792	1048.49	10*
Repairs and Maintenance	12,970,006	15,008,900	-2,038,894	-13.58	11*
Interest on external borrowings	893,547	1,505,440	-611,893	-40.65	12*
Bulk purchases	90,197,746	109,882,950	-19,685,204	-17.91	13*
Contracted Services	6,249,476	5,511,750	737,726	13.38	14*
Grants and Subsidies paid	11,622,256	6,403,250	5,219,006	81.51	15*
General expenses - Other	38,662,838	44,803,050	-6,140,212	-13.70	16*
Contributions to/(transfers from) provisions	370,822	0	370,822	100.00	17*
Loss on disposal of property, plant and equipment	0		0		
Capital contribution to CRR	2,512,903	6,860,000	-4,347,097	-63.37	18*
<b>TOTAL EXPENDITURE</b>	<b>281,412,380</b>	<b>288,301,680</b>	<b>-6,889,300</b>	<b>-2.39</b>	
Net Surplus / (Deficit) for the year	-29,347,836	37,024,530	-66,372,366		
Less Capital Grants	0	0	0	0	
Net Surplus / (Deficit) for the year	-29,347,836	37,024,530	-66,372,366		

## Appendix E (1)

- 1\* Water consumption levied was R35 630 365 less than budgeted. Electricity consumption levied was R20 474 184 less than budgeted
- 2\* Non payment fees received was R899 273 more than budgeted due to action taken against defaulters. No provision was made for levies at the dump yard, but R668151 was levied. Connection fees exceeded the budgeted amount by R900 958 due to the action against defaulters.
- 3\* Fines by the traffic department was R472 973 less than budgeted.
- 4\* The interest rate on investment was better than expected.
- 5\* Consumers owning Council money did not take advantage of the Policy to make arrangements and therefore stop the interest on the outstanding account.
- 6\* More income was received for Council properties than budgeted. (R289 140).
- 7\* Public License fees for vehicles were not received from the Provincial Government.
- 8\* Funds were received for the Land Amendment Scheme, Urban Planning, that were not budgeted for. The fundraising budgeted was not met. R130 000 was budgeted for legal fees but only R6 951 was levied.
- 9\* Refer to Appendix E2 for details.
- 10\* Depreciation is allocated via the operating budget to accumulated funds and to the relevant reserves. The net effect of the depreciation is R860. Refer to Statement of Changes in Net Assets.
- 11\* R242 726 budgeted for maintenance: Office furniture and equipment was not spent, R636 887 on the maintenance of Air Conditioners, R419 417 on Maintenance of building and site and R198 178 on Maintenance of vehicles.
- 12\* Provision was made for loans to the amount of R18 million and only R10 million of loans were taken up.
- 13\* Water purchased is R11 866 442 less than budgeted. Electricity purchased is R7 818 761 less than budgeted.
- 14\* Security services exceeded the budgeted amount with R387 111. The connection/disconnection fees paid to the contractor exceeds the budgeted amount with R110 163 – refer to (2) above. The amount paid to SDC for the speed camera exceeded the budget with R259 067 although the fines received did not exceed the budget.
- 15\* Less Equitable Share was allocated to Free Basic Services and therefore transferred to creditors IGG from where it were allocated to the Indigents.
- 16\* Sewer treatment paid was R619 636 less than budgeted.

Telephone cost was high and exceeded the budget amount with R684 919. Professional fees were R1 323 045 less than budgeted due to the Credit Policy action to be started.

Advertising was under spent with R 142 510.

The minimum bursaries were paid due to a dispute (R101 957 not spent).

Conference and delegations were not fully spend – R179 365

Entertainment exceeded the budget with R99 124

R459 638 Legal expenses were not paid due to the lack of legal actions against defaulters (handed over to lawyers ). Refer to (8) above.

Rental external equipment exceeded the budget with R528 469 due to the copiers and telephone contracts.

No valuation cost was paid (R1 572 277) as the new valuator was appointed late in the financial year.

17\* R370 822 was transferred to staff leave as more leave was paid out than the contributions.

18\* Due to control over the cash flow, only R2 512 903 was transfer to Capital Replacement Reserve. Refer also to Appendix E(2).

## Appendix E(2)

- 1\* The small scale farming did not realize.
- 2\* The Roads and Stormwater : Zamdela financed from MIG funds were not done.
- 3\* The Sewer network project for Gortin financed by MIG funds (R4 593 000) was not implemented.  
All the funds were not yet spend on the sewer and toilet structures, Refengkgotso financed by MIG (R1 300 000)
- 4\* Electricity upgrade Deneysville financed by District Municipality were not completed (R300 000), fibre glass poles were not installed and prepaid meters installed not further capitalized.
- 5\* The water network at Gortin, financed by MIG, did not realized.
- 6\* Funds for water purification at Oranjeville were received from the District Municipality but not budgeted for.
- 7\* The project for the refuse dumpsite at Sasolburg financed by MIU was not done.
- 8\* The park at Zamdela was not erected (R250 000)
- 9\* The library at Zamdela was build, but is the property of the Provincial Government.
- 10\* No funding was available for the upgrading of the Metsimaholo and Refengkgotso stadiums.
- 11\* No loans was taken up for the upgrading of the halls at Refengkgotso and Metsimaholo due to the financial position of the Municipality.
- 12\* Furniture and equipment are mostly financed from own funds. Due to the financial position the capital expenditure is restricted where possible. The purchase of computer equipment received preferential treatment.
- 13\* A loan of R10 million was taken up. All vehicles are financed from loans. The Directors did prioritize the vehicles to be purchase in order to advance service delivery.
- 14\* The Hostel 2 project financed by Local Government and Housing is transfer to the 2006/2007 year.

## CHAPTER 5: FUNCTIONAL SERVICE DELIVERY REPORTING

### FINANCE

#### Overview

The main objective of the finance department is to provide a comprehensive and sound financial management service to the municipality.

#### Description of the activity

The following main functions have been identified:

- Budget and Statements
- Expenditure management
- Revenue management
- Information technology

The strategic objectives of the finance department are to –

- Formulate and implement medium and long-term financial policy;
- Formulate and implement financial policies, by-laws and regulations;
- Formulate and implement asset management and investment policies;
- Plan and budget for implementation of costing systems;
- Formulate and implement supply chain management policy;
- Maintain and implement tariff policies and by-laws;
- Maintain and implement credit control, debt collection and indigent policies; and
- Develop, implement and maintain information technology policies and systems.

The key issues for 2005/06 were:

- Ensuring affordable and competitive tariff structure;
- Upgrading of pay points and pre-paid vending machines;
- Upgrading computer systems;
- Implementation of the MFMA;
- Approval of a debt collection and credit control policy; and
- Improved billing through repairs of meters and leaks.

## Analysis of the function

Details	Number	R
Debtor billings: See Table 1		
Debt collection: See Table 2		
Debt analysis: See Table 3		
Debts written off		14 095 511
Property rates (Residential):		
- Number and value of properties rated	28 355	333 107 000
- Number and value of properties not rated	0	0
- Number of rate exemptions	0	0
- Rates collectible for the current year		
Property rates (Commercial):		
- Number and value of properties rated	614	159 588 000
- Number and value of properties not rated	0	0
- Number of rate exemptions	0	0
- Rates collectible for the current year		47 526 282
Indigent Policy:		
- Quantity (number of households affected)	6 798	
- Quantum (total value across municipality)		21 338 000
Creditor payments: See Table 4		
External loans: See Table 5		
Delayed and default payments:		
<i>The municipality has not delayed payment on any loan, statutory payments or any other default of a material nature</i>		

**Table 1: Debtor billings**

<b>Function</b>	<b>Average number of debtors per month</b>	<b>Value for the year R</b>
Electricity	21 000	55 924 134
Water	24 000	56 389 740
Refuse	24 000	9 855 240
Assessment rates	24 335	47 526 282
Sanitation	21 000	11 872 084
<b>TOTAL</b>		<b>181 567 480</b>

**Table 2: Debt collection**

<b>Total levied</b>	<b>Total collected</b>	<b>% collection</b>
R181 567 480	R160 324 085	88,3

**Table 3: Debt analysis**

<b>Function</b>	<b>Current R'000</b>	<b>30 days outstanding R'000</b>	<b>60 days outstanding R'000</b>	<b>More than 90 days outstanding R'000</b>
Electricity	3 046	969	775	22 902
Water	7 235	2 372	814	24 048
Refuse	3 199	1 018	814	24 048
Rates	7 456	3 808	2 433	43 947
Sanitation	1 454	462	370	10 934
Handed over		Included in services		
Sundries		Included in services		
<b>TOTAL</b>	<b>22 390</b>	<b>8 629</b>	<b>6 234</b>	<b>156 151</b>

**Table 4: Creditor payments (Five largest creditors)**

<b>Creditor</b>	<b>30 days outstanding R</b>	<b>60 days outstanding R</b>	<b>90 days outstanding R</b>	<b>120 days outstanding R</b>
ESKOM	5 173 388	0	0	0
Rand Water	3 727 319	0	0	0
SASOL Infrachem	692 572	0	0	0
VGC	462 763	0	0	0
Compensation Commissioner	353 935	0	0	0

**Table 5: External loans**

<b>Description</b>	<b>Balance at 01 July 2005 R</b>	<b>Loans raised R</b>	<b>Loans redeemed R</b>	<b>Balance at 30 June 2006 R</b>
Annuity Loans	2 121 019	10 000 000	2 797 501	9 323 518
Housing Loans	388 804	0	81 906	306 898
<b>TOTAL</b>	<b>2 509 823</b>	<b>10 000 000</b>	<b>2 879 407</b>	<b>9 630 416</b>

<b>Key performance area</b>	<b>Performance during the year and actual achievements against targets</b>	<b>Actual</b>	<b>Target</b>
Budget and statements	Compilation of medium-term budget and financial statements in line with MFMA requirements.	85%	90%
Expenditure management	Timely payment of creditors and salaries	100%	100%
Financial reporting	Percentage of financial reports completed and submitted in terms of MFMA and DORA	90%	85%
Revenue management	The approval of a debt collection and credit control policy by council and improvement in the collection rate for debtors to 80%	88,3%	85%
Information Technology	Upgrading of networks and servers and reduction of audit queries by 90%	90%	90%

## **HUMAN RESOURCES**

### **Overview**

The objective of the Human Resources Division is to deliver effective human resources and organisational development services to the municipality in its objective to achieve the goals of the Integrated Development Plan.

### **Description of the activity**

The following main functions have been identified:

- Human resource development
- Human resource administration
- Performance management
- Recruitment and selection

The strategic objectives of the human resources division are to –

- Formulate, maintain and execute the employment equity plan;
- Formulate, maintain and execute the skills development plan;
- Formulate, maintain and execute individual performance management system;
- Manage and handle general human resource administration, including labour relations;

The key issues for 2005/06 were:

- Ensuring the timely compilation and submission of the municipality's employment equity plan;
- Ensuring the timely compilation and submission of the workplace skills plan;
- Finalisation of the individual performance management system;

## Analysis of the function

Details	Number	R
Number and cost to municipality of all staff employed	625 (See chapter 3 for breakdown of occupational categories)	74 354 968

Key performance area	Performance during the year and actual achievements against targets	Actual	Target
Training and development	Submission to LGSETA and implementation of workplace skills plan	100%	100%
Employment equity	Submission of employment equity plan and report to the Department of Labour by end of October 2005	100%	100%
Performance management	Performance management system to be developed for all levels of staff. PMS not fully implemented for s57 employees therefore delaying the cascading to other levels.	20%	50%
Human resource administration	Management of employee relations by ensuring compliance with applicable legislation and SALGBC collective agreements	100%	95%

## **SUPPLY CHAIN MANAGEMENT (PROCUREMENT)**

### **Overview**

The activities of the municipality's supply chain management (procurement) section relate to the following:

- Purchasing
- Stock management
- Tenders and contracts

### **Description of the activity**

The following main functions have been identified:

- Purchasing: the procurement of goods and services for the municipality
- Stock management: sound stock management by keeping risk low
- Tender and contracts: the conclusion of contract through the procurement and bidding process

The strategic objectives of the procurement section are to –

- Ensuring compliance with all existing and new legislation
- Effective and efficient management of warehouses

The key issues for 2005/06 were:

- Policy implementation and systems development
- Fast-tracking spending on MIG service delivery projects
- DME grant spending
- Overhaul of vehicle fleet
- Upgrading of stores section
- Drafting new organogram and job descriptions

## Analysis of the function

<b>Details of tender/procurement activities:</b>	<b>2004/05</b>	<b>2005/06</b>
Total number of times that tender committee met during the year	8	11
Total number of tenders considered	26	30
Total number of tenders approved	23	21
Average time taken from tender advertisement to award of tender	30 days	30 days

### **Details of bid (tender) committee:**

Chief Financial Officer (Chairperson)

Director: Social Services

Director: Corporate and Transformation Services

Director: Economic Development and Planning

Director: Technical and Infrastructural Services

<b>Key performance area</b>	<b>Performance during the year and actual achievements against targets</b>	<b>Actual</b>	<b>Target</b>
Supply chain management policy	Development of a SCM policy, practice and reporting procedures were finalised as planned.	80%	75%
Establishment of bid committees	A fully functional bid adjudication committee was constituted in terms of the SCM regulations. However, the bid evaluation and specifications committees were not in place.	75%	100%

## **PLANNING AND DEVELOPMENT**

### **Overview**

The main activities of the Economic and Development Planning department relate to:

- Economic development
- Urban planning and development

### **Description of the activity**

The strategic objectives of the department are to –

- Manage the urban planning process in such a manner that sufficient provision is made for industrial, commercial, agricultural and domestic users; and
- Enhance, promote, maintain and coordinate economic activities in the municipal area to the benefit of all the inhabitants and communities.

The key issues for 2005/06 were:

- Promotion of broad-based black economic empowerment
- Compilation of LED strategy
- Development of small scale farming
- Spatial development framework review
- Establishment of a Town Planning Scheme for all areas
- Planning of a further 3 500 erven

## Analysis of the function

Details	Number	R
Number and cost of all economic development personnel:		
- Professional (Directors/Managers)	4	832 000?
- - Non-professional (Clerical/Administrative)	1	300 000
Detail and cost of incentives for business investment	?	
Detail and cost of urban renewal strategies	N/A	
Detail and cost of rural development strategies	N/A	
Number of people employed through job creation schemes:		
- short-term employment	1	
- long-term employment	Nil	
Number and cost of all Building Inspectors employed	2	400 000?
Details of building plans:		
- Number of building plans approved	1 140	
- Value of building plans approved	170 000 000	
Type and number of grants and subsidies received:		
DLGH (Compilation of Spatial Development Framework)		80 000
Total operating cost of function		2 683 956

Key performance area	Performance during the year and actual achievements against targets	Actual	Target
Spatial development	The Spatial Development Framework was reviewed as planned.	100%	100%
Building control	A total of 1 700 building inspections were conducted during the year;	90%	95%
Land-use management	70 applications were approved, including subdivisions, consolidations, removal of restrictions and re-zonings.	80%	90%

## **PARKS, RECREATION AND CULTURAL SERVICES**

### **Overview**

The main activities of the Parks and Recreation Division (Community and Social Services) relate to:

- Community and sports facilities
- Parks and recreational facilities
- Cemeteries
- Cultural activities and facilities
- Providing a clean environment

### **Description of the activity**

The strategic objectives of the division are to –

- Ensure sufficient and accessible burial sites and facilities according to the current and future needs;
- Ensure that all current cemeteries are well managed, maintained and secured and provided with public facilities;
- Create a climate whereby diverse cultures can be accommodated and tolerated;
- Ensure that all communities have access to libraries and information centres that are well equipped and maintained; and
- Implement a greening plan for the area that will enhance the beauty of the natural environment.
- Enhancing and maintaining of sports facilities in communities

The key issues for 2005/06 were:

- Upgrading of the Highveld Gardens;
- Upgrading of Zamdela/Sasolburg swimming pools;
- Identification of new accessible burial sites and installation of fence and water taps at cemeteries, burial sites and crematorium; and
- Availability of facilities and maintenance thereof of public toilets and water taps paving and planting trees.

## Analysis of the function

Details	No. of facilities	No. of users
Nature and extent of facilities provided:		
- Library services	4	±29 600
- Other community halls/facilities	10	±62 000
- Cemeteries and crematoriums	7	±98 000
- Sporting facilities	6	±120 000
- Parks	3	±100 000
- Conservation Areas	2	±6 000
Number and cost to employer of all personnel associated with each community services function:		
- Library services	20	R1 991 290
- Other community halls/facilities	20	R 784 780
- Cemeteries and crematoriums	7	R 721 490
- Sporting facilities	15	R1 429 850
- Parks	40	R5 819 140
- Conservation Areas	21	R1 292 840
Total operating cost of community and social services function		R8 206 409

<b>Key performance area</b>	<b>Performance during the year and actual achievements against targets</b>	<b>Actual</b>	<b>Target</b>
Sufficient and accessible burial sites and facilities	Identification of new accessible burial sites and installation and maintenance of facilities	In progress	Mooi plaats farm identified for Refengkgotso/ Deneysville
Promoting cultural diversity and tolerance	<ul style="list-style-type: none"> <li>▪ Upgrading of Highveld Gardens</li> <li>▪ Upgrading of Zamdela/Sasolburg swimming pools</li> </ul>	<ul style="list-style-type: none"> <li>▪ Complete</li> <li>▪ Complete (Sasolburg)</li> <li>▪ Complete (Zamdela)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Replacement of fence</li> <li>▪ Replacement of ceiling (club house)</li> <li>▪ Upgrading of change rooms and entrance</li> </ul>
Sufficient and accessible community facilities	<ul style="list-style-type: none"> <li>▪ Upgrading Zamdela Hall</li> <li>▪ Upgrading press room at DP De Villiers Stadium</li> </ul>	<ul style="list-style-type: none"> <li>▪ 95% completed</li> <li>▪ 100% completed</li> </ul>	<ul style="list-style-type: none"> <li>100% complete</li> <li>100% complete</li> </ul>

## **HOUSING AND PROPERTIES**

### **Overview**

The main activities of the Housing and Properties Division include:

- Housing delivery services
- Alienation and acquisition of erven and land
- Relocation of informal settlements
- Hostel management (rental units)
- Municipal asset management

### **Description of the activity**

The strategic objectives of the division are to –

- Ensure social and economic development of local communities by means of acquisition, disposal or alienation of planned areas and created erven;
- Ensure effective hostel re-development and housing delivery to communities;
- Ensure the relocation of informal settlements to created and serviced sites; and
- Asset management

The key issues for 2005/06 were:

- Implementation and administration of the housing sector plan in line with the IDP;
- Linking housing development to urban renewal and rural development strategies;
- Regulating and administering housing and hostel administration;
- Monitoring and combating land invasion in cooperation with legal services;
- Ensuring the proper administration of rental housing stock in conjunction with finance and technical services;
- Ensure access for the community to serviced stands; and
- Socio-economic surveys to determine backlogs on erf occupation, needs for serviced erven and backlogs on housing delivery.

## Analysis of the function

Details	Number	R
Number and cost of all personnel associated with provision of municipal housing	8	1 502 480
Number and total value of housing projects planned and current:		
- Current (2006/07)	1 038	37 368 000
- Planned (future years)	1 000	36 000 000
Total type, number and value of housing provided		
- RDP houses	327	
Total number and value of rent received from municipal owned rental units	Policy not yet finalised	
Estimated backlog in number of housing	14 000	504 000 000
Total operating cost of housing function		1 764 891

Key performance area	Performance during the year and actual achievements against targets	Actual	Target
Housing construction	Construction of RDP houses based on subsidy allocations by Province	327 RDP houses	1 000 RDP houses
Relocation of informal settlements	Relocation of informal settlements to serviced sites; 500 relocations were actually done.	15%	50%
Updating of erf database	Determination of housing backlogs and community needs (linked to relocation project in terms of updating occupational data)	90%	75%

## **PUBLIC SAFETY AND SECURITY SERVICES**

### **Overview**

This department is responsible for traffic services, fire protection and as well as disaster management.

### **Description of the activity**

The strategic objectives of the department are to –

- Improve response time to all call-outs;
- Provide full service in total municipal area;
- Manage and coordinate disaster management with district municipality, local industries and communities; and
- Improve road safety and reduce accidents;.

The key issues for 2005/06 were:

- Improve conversion of fines into actual revenue;
- Improve visibility and services and extend services;
- Design and maintenance of disaster management plan; and
- Develop and implement training programmes for volunteers.

## Analysis of the function

Details	Number	R
Number and cost of all personnel associated with public safety	50	R8 044 040
Total number of call-outs attended:	359 fire	
- emergency call-outs	752 special	
- standard call-outs	14 481 ambulance	
Average response time to call-outs:		
- emergency call-outs	5 minutes	
- standard call-outs	10 minutes	
Total number of targeted violations (traffic offences)	80 000	
Total number and type of emergencies leading to a loss of life or disaster:		
- fire	10	
- accidents	30	
Type and number of grants received	0	
Total operating cost of public safety function		R14 489 800

<b>Key performance area</b>	<b>Performance during the year and actual achievements against targets</b>	<b>Actual</b>	<b>Target</b>
Efficient and timeous response to emergencies	To reach every incident in the municipal area within 15 minutes to reduce loss of life and damage to property	Currently only possible in Sasolburg, Zamdela Leitrim area and some Refengkgotso areas	To reach 100% of incidents in total municipal area
To provide a safe and secure environment for residents	Number of notices issued for violations in municipal area	Law enforcement personnel visible and prosecutions at approximately 65 000 per year	Increased prosecutions to 80 000 per year
Disaster management	To ensure that disaster plans are in place	Risks task teams identified and established; awaiting approval of draft plan by district	Disaster plans in place for all risks

## **WASTE MANAGEMENT**

### **Overview**

This function includes collection, disposal and recycling of household, commercial and industrial refuse and waste, management of landfill and disposal sites and street cleaning.

### **Description of the activity**

The strategic objectives of the division are to –

- Develop, implement and enforce a comprehensive set of by-laws to regulate the service;
- Develop, implement and maintain an integrated waste management plan; and
- Plan closure and rehabilitation of landfill sites.

The key issues for 2005/06 were:

- Review of waste management plan;
- Identification of regional landfill site;
- Awareness campaigns on illegal dumping and pollution; and
- Identification and establishment of control landfill site.

## Analysis of the function

Details	Number	R
Number and cost of all personnel associated with refuse removal	106	R5 000 000
Number of households receiving regular refuse removal services and frequency and cost:		
- Removed by municipality at least once a week	±40 000	
- Communal refuse dump used	3	
- Own refuse dump used	0	
- No rubbish disposal	±500	
Total and projected tonnage of all refuse disposed:		
- Domestic/commercial	±260 tons per year	
- Garden	±200 tons per year	
Total number, capacity and life expectancy refuse disposal sites:		
- Domestic/commercial	3 sites at ±95% capacity	
- Garden (transfer stations)	1 site with 20 years life expectancy	
Anticipate expansion of refuse removal service:		
- Domestic/commercial	±100 additional by 2012	
- Garden	4 new sites	
Total operating cost of solid waste management function		R13 669 224

<b>Key performance area</b>	<b>Performance during the year and actual achievements against targets</b>	<b>Actual</b>	<b>Target</b>
To provide reliable and affordable door-to-door waste removal services to all households	Number of households to receive door-to-door domestic refuse removal services	40 000 households or 95% reached 500 informal settlement households reached (50%)	40 500 households to receive service 500 households in informal settlements
To provide reliable affordable waste removal service to all businesses and industries	Number of trips and rounds as well as m <sup>3</sup> per truck (3 trips per truck per day)	Currently recycling is only reaching 10% due to focus on dumping site.	Reduce number of trips through waste minimisation and recycling
To provide a clean and healthy environment	Number of illegal refuse humps removed during clean-up campaign; Number of health awareness campaigns	Approximately 40% of illegal dumping heaps removed; Only 20% of schools reached partly caused by delay in election of ward committees	Reduce and eradicate illegal dumping; Reach 50% of schools and awards

## **WASTE WATER MANAGEMENT**

### **Overview**

This function includes provision of sewerage services including the disposal and purification of wastewater in Deneysville and Oranjeville.

### **Description of the activity**

The strategic objectives of the division are to –

- Provide waterborne sanitation services in an accountable and sustainable manner;
- Provide waterborne sewerage systems completed with toilet structures to each and every household; and
- Effectively and efficiently convey, dispose and purify wastewater.

The key issues for 2005/06 were:

- Progressive reduction in sanitation backlogs;
- Maintaining the complete network to ensure that it remains operational; and
- Improved customer care related to sewerage.

## Analysis of the function

Details	Number	R
Number and cost of all personnel associated with sewerage functions	38	2 948 095
Number of households with sewerage services (type and cost):		
- Flush toilet (connected to sewerage system)	21 943	
- Flush toilet (with septic/suction tanks)	540	5 400 000
- Pit latrine with ventilation		
- Pit latrine without ventilation		
- Bucket latrine	156	1 700 000
- No toilet provision	6 075	60 075 000
Anticipated expansion of sewerage:		
- flush toilet	500 p.a.	5 000 000
Free basic service provision:		
- quantity (number of households affected)	21 943	
- Quantum (value to each household)		5,80
Total operating cost of sewerage function		18 696 883

Key performance area	Performance during the year and actual achievements against targets	Actual	Target
Eradication of bucket system	Number of stands completed in Refengkgotso	266 stands	250 stands
New sewer networks and toilets	Number of stands completed in Refengkgotso, Harry Gwala and Gortin	1 950 stands	1 950 stands

## **ROAD TRANSPORT (Roads)**

### **Overview**

This section is responsible for the establishment, upgrading and maintenance of roads, sidewalks and storm water infrastructure.

### **Description of the activity**

The strategic objectives of the section are to –

- Provide roads in an effective, efficient and sustainable manner;
- Ensure the general maintenance and rehabilitation of existing infrastructure; and
- Improve customer care by effectively dealing with service complaints

The key issues for 2005/06 were:

- Progressive reduction in backlogs;
- Maintaining the complete network to ensure that it remains operational; and
- Improved customer care.

## Analysis of the function

Details	Number	R
Number and cost of all personnel associated with road maintenance and construction	59	3 184 804
Total number, kilometres and total value of roads projects planned and current:		
- New bitumenised	5 kms	5 674 565
- Existing re-tarred		
- New gravel		
- Existing re-sheeted		
Total kilometres and maintenance cost associate with existing roads provided:		
- Tar	25 kms	3 700 000
- Gravel	20 kms	300 000
Average frequency and cost of re-tarring, re-sheeting roads	Once a year	3 700 000
Estimated backlog in number of roads (kilometres and capital cost):		
- Tar	200 kms	200 000 000
- Gravel	100 kms	3 600 000
Type and number of grants and subsidies received:		
MIG (Construction of roads in Zamdela, Metsimaholo & Refenkgotso)	3	5 674 565
Total operating cost of road construction and maintenance function		16 605 986

Key performance area	Performance during the year and actual achievements against targets	Actual	Target
Construction of new roads and storm water systems	Construction of roads and storm water in Zamdela, Metsimaholo and Refenkgotso	3,5 kms	3,5 kms
Upgrading of storm water systems	Completed project in Zamdela	100%	100%

## **WATER**

### **Overview**

Includes the bulk purchase, distribution of water and the purification and storage of water.

### **Description of the activity**

The strategic objectives of the division are to –

- Provide water in an accountable and sustainable manner;
- Provide potable and running water to each and every household in the municipal area;
- Establish and maintain of assets and equipment; and
- Manage and reduce technical water losses.

The key issues for 2005/06 were:

- Expansion of water services in terms of minimum levels and standards;
- Addressing the service backlogs whilst keeping the complete network operational; and
- Implementation of strategies to reduce water distribution losses.

## Analysis of the function

Details	Number	R
Number and cost of all personnel associated with the water distribution function	38	3 987 577
Percentage of total water usage per month (From Rand Water and purification plants in Deneysville and Oranjeville)	1 538 MI	4 605 618
Total volume and cost of bulk water purchases in kilolitres and rand, by category of customer	19 970ml	54 557 538
Total volume and receipts for bulk water sales	18 464ml	55 267 424
Total year-to-date water losses (kilolitres and rands)	1 506 ml	4 503 621
Number and cost of new connections	3 100	5 300 000
Number and cost of disconnections and reconnections	5 430	868 800
Number and total value of water projects planned and current:		
- Current (2005/06 financial year)	3	5 300 000
- Planned (future years)	1	7 797 600
Anticipated expansion of water service:		
- Piped water inside dwelling		
- Piped water inside yard	2 600	7 797 600
- Piped water on community stand < 200m from dwelling		
- Piped water on community stand > 200m from dwelling		
Free basic service provision:		
- quantity (number of households affected)	24 150	
- Quantum (value to each household)		30,18
Type and number of grants and subsidies received:		
- Municipal Infrastructure Grant	3	5 300 000
Total operating cost of water distribution function		78 383 908

<b>Key performance area</b>	<b>Performance during the year and actual achievements against targets</b>	<b>Actual</b>	<b>Target</b>
Provision of free basic water	All metered households receiving free basic water of 6 kiloliters per month and communal taps in un-metered areas	100%	100%
Reduction in unaccounted for water	Kiloliters billed as a percentage of kiloliters purchased	7,54%	30%
Provision of new water network and connections	New connections to stands in Gortin	3 100 stands	2 000 stands

## **ELECTRICITY**

### **Overview**

Includes the bulk purchase and distribution of electricity, provision and upgrading of service connections, operation of electricity network and maintenance of assets and networks.

### **Description of the activity**

The strategic objectives of the division are to –

- Provide all consumers with an electrical connection at an affordable price;
- Cost effective, efficient, affordable and reliable electricity services;
- Distribution of electricity under licence agreement with the NER;
- Establish and maintain of assets and equipment; and
- Manage and reduce technical electricity losses.

The key issues for 2005/06 were:

- Expansion of electricity services in terms of minimum levels and standards;
- Addressing the service backlogs whilst keeping the complete network operational; and
- Implementation of strategies to reduce electricity distribution losses.

## Analysis of the function

Details	Number	R
Number and cost of all personnel associated with the electricity distribution function	48	6 114 210
Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of customer	199 426 461	35 640 208
Total volume and receipts for bulk electricity sales	167 199 700	52 012 646
Total year-to-date electricity losses (kilowatt hours and rands)	32 226	9 990 295
Number and cost of new connections	263	370 000
Number and cost of disconnections and reconnections	417	667 360
Number and total value of electrification projects planned and current:		
- Current (2005/06 financial year)	1	1 370 000
- Planned (future years)	2	14 600 000
Anticipated expansion of electricity service	5 500	14 600 000
Free basic service provision:		
- quantity (number of households affected)	19 763	
- Quantum (value to each household)		17,31
Type and number of grants and subsidies received:		
- Department of Minerals and Energy	1	370 000
Total operating cost of electricity distribution function		68 091 682

<b>Key performance area</b>	<b>Performance during the year and actual achievements against targets</b>	<b>Actual</b>	<b>Target</b>
Provision of free basic electricity	Percentage of households on network in municipal supplied area	100%	100%
Electrification of residential stands	Number of stands planned for electrification in Metsimaholo	263 stands	250 stands
Network strengthening and upgrading	Capital project implemented in Deneysville area	100%	100%