

**METSIMAHOLO LOCAL MUNICIPALITY**

**ANNUAL FINANCIAL STATEMENTS**

for the year ended

30 June 2007

I am responsible for the preparation of these annual financial statements, which are set out in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

.....  
**S J THOMAS**  
**ACTING MUNICIPAL MANAGER**

# METSIMAHOLO LOCAL MUNICIPALITY

## GENERAL INFORMATION

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### Members of the Executive Mayoral Committee

Executive Mayor

Ms F Ngubentombi

Speaker

K W Bulwane

Councillors

S I Ramathesele (till 31/3/2007)

Ms K J Makhoba

N M Mtimkulu

Ms N J Kubekha

S Z Matena

N M Mokoena

R J Mabefu

L S Lempe(from 1/4/2007)

### Members of the Local Municipality

Councillors:

Ms N M Mafika

B J Malindi

Ms M R Raboroko

L S Semonyo

Ms D M Mokoena

M W Khonto

F C Coetzer

Ms J M Lelahla

J J Grobbelaar

Ms M C van der Bergh

Ms S Moreki

P E Ramagole

S S Sejake

Ms A N Radebe

J du Plessis

D M Oswald

L Smith

T Mosai

D J Keyser

J Mofokeng

T I Mokgatla

M S Mokoena

T du Toit

M Mashinini

S Maboe

# METSIMAHOLO LOCAL MUNICIPALITY

## GENERAL INFORMATION

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<b>Mayor</b>	Ms F Ngubentombi
<b>Speaker</b>	K W Bulwane
<b>Grading of Local Authority</b>	Grade 9 Grade 3 for Councillors
<b>Auditors</b>	The Auditor General
<b>Bankers</b>	ABSA Bank
<b>Registered Office</b>	Civic Centre Fichard Street <b>SASOLBURG</b>  P O Box 60 <b>SASOLBURG</b> 1947  Tel: (016) 976-0029 Fax: (016) 976-3130
<b>Municipal Manager (30/06/2007)</b> <b>Qualifications:</b>	L K Mahlatsi <i>B.Juris, LLB</i> <i>Master in Development</i> <i>&amp; Management</i>
<b>Acting Municipal Manager (01/07/2007)</b> <b>Qualifications:</b>	S J Thomas <i>BA - PM</i>
<b>Chief Financial Officer</b> <b>Qualifications:</b>	J Z Engelbrecht <i>Bcompt PUK</i> <i>Hons Bcomm UNISA</i> <i>Hons Bcompt PUK</i>

# **Metsimaholo Local Municipality**

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## **Approval of Financial Statements:**

The annual financial statements set out on pages      to      were approved by the Municipal Manager and the Chief Financial Officer on 31 August 2007 and presented to and approved by Council on 2007.

### **Councillors:**

S I Ramathesele	Ms M C van der Bergh
Ms K J Ngozo	Ms S Moreki
N M Mtimkulu	P E Ramagole
Ms Kubekha	S S Sejake
S Z Matena	Ms A N Radebe
R J Mabefu	J du Plessis
Ms N M Mafika	D M Oswald
B J Malindi	L Smith
Ms M R Raboroko	T Mosai
L S Semonyo	D J Keyser
Ms D M Mokoena	J Mofokeng
M W Khonto	T I Mokgatla
F C Coetzer	M S Mokoena
Ms J M Lelahla	T du Toit
J J Grobbelaar	M Mashinini
L S Lempe	S Maboe

### **Executive Mayor:**

Ms F Ngubentombi

### **Speaker:**

K W Bulwane

.....  
**ACTING MUNICIPAL MANAGER**  
S J Thomas

.....  
**CHIEF FINANCIAL OFFICER**  
J Z Engelbrecht

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007**

	Note	2007 R	2006 R
<b>ASSETS</b>			
<b>Current Assets</b>		<b>162 020 464</b>	<b>132 606 654</b>
Inventory	1	2 242 812	1 620 950
Consumer debtors	2	113 270 930	111 184 084
Other debtors	3	40 507 410	12 195 428
Current portion of long term loans debtors	4	488 843	588 389
Call Investment	5	5 505 154	7 012 488
Bank and Cash	6	5 315	5 315
<b>Non-current Assets</b>		<b>246 381 615</b>	<b>236 876 461</b>
Property, plant and equipment	7	233 612 501	224 605 640
Intangible assets	8	98 558	145 364
Investments	9	7 605 239	6 654 456
Long-term receivables	4	5 065 317	5 471 001
<b>Total Assets</b>		<b>408 402 079</b>	<b>369 483 115</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>133 615 104</b>	<b>98 610 884</b>
Consumer deposits	10	7 091 811	7 074 475
Provisions	11	5 116 535	4 808 066
Creditors	12	57 412 023	50 550 463
Unspent conditional grants and receipts	13	14 756 969	4 001 043
VAT	14	19 337 049	16 653 177
Bank overdraft	6	15 063 094	4 153 775
Current portion of long term liabilities	15	5 843 485	3 341 114
Current portion of deferred income conditional grant	15	8 994 138	8 028 771
<b>Non-current Liabilities</b>		<b>76 742 438</b>	<b>59 364 749</b>
Long-term liabilities	15	9 619 245	10 579 101
Deferred Income Conditional Grant	15	67 123 193	48 785 648
<b>Total Liabilities</b>		<b>210 357 542</b>	<b>157 975 633</b>
<b>NET ASSETS</b>		<b>198 044 537</b>	<b>211 507 482</b>
Housing Development Fund	16	4 396 419	4 524 715
Capital Replacement Reserve		1 893 857	10 236 260
Capitalisation reserve		143 854 283	156 277 804
Donations and public contribution reserves		-	-
Accumulated Surplus/(Accumulated Deficit)		47 899 978	40 468 703
<b>TOTAL NET ASSETS</b>		<b>408 402 079</b>	<b>369 483 115</b>

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007**

Budget			Note	Actual	Actual
2006	2007			2007	2006
R	R		R	R	
<b>REVENUE</b>					
52 309 080	54 839 110	Property Rates	17	48 945 745	47 526 282
190 163 640	194 358 000	Service Charges	18	151 178 186	134 041 197
3 106 110	5 224 460	Rental of facilities and equipment		8 502 979	5 564 927
4 511 620	7 013 780	Fines		33 414 817	4 038 647
66 415 550	116 332 730	Government Grants and Subsidies	19	41 582 663	36 719 445
1 750 000	1 000 000	Interest earned - External investments		1 857 337	2 255 683
4 000 000	11 550 000	Interest earned - Outstanding debtors		11 567 172	10 211 235
774 150	812 660	Rental Income		1 181 707	1 032 701
330 000	90 000	Licenses and Permits		70 954	70 065
1 966 060	6 884 050	Other Income	20	1 282 072	1 511 636
		Gains on disposal of property, plant and equipment		564 583	-
<b>325 326 210</b>	<b>398 104 790</b>	<b>Total Revenue</b>		<b>300 148 215</b>	<b>242 971 818</b>
<b>EXPENDITURE</b>					
76 044 560	91 524 550	Employee related costs	21	82 924 763	74 354 968
4 281 780	6 948 860	Remuneration of Councillors	22	8 038 512	4 608 026
16 000 000	17 000 000	Bad debts		17 000 000	16 000 000
2 000 000	1 000 000	Depreciation and amortization		23 452 852	22 969 792
15 008 900	14 627 300	Repairs and maintenance		12 885 091	12 970 006
1 505 440	1 434 590	Interest paid	23	1 566 813	893 547
109 882 950	117 188 690	Bulk purchases	24	89 275 615	90 197 746
5 511 750	7 397 960	Contracted services		24 485 018	6 249 476
6 403 250	9 630 000	Grants and Subsidies paid	25	12 260 829	11 642 256
44 803 050	50 502 870	General expenses - other	26	46 404 877	38 642 838
0	(1 009 790)	Contributions to/(Transfers from) Provisions		308 469	370 822
		Loss on disposal of property, plant & equip.		261 249	-
6 860 000		Capital contribution		-	2 512 903
<b>288 301 680</b>	<b>316 245 030</b>	<b>Total Expenditure</b>		<b>318 864 088</b>	<b>281 412 380</b>
<b>37 024 530</b>	<b>81 859 760</b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(18 715 873)</b>	<b>(38 440 562)</b>

Refer to Appendix E (1) for explanation of variances.

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007**

	Nota	<u>Capital Replacment Reserve CRR</u>	<u>Housing Fund</u>	<u>Capital Reserve</u>	<u>Government Grants Reserve</u>	<u>Other Services</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
		R	R	R	R	R	R	R
<b>Opening balance as previously reported</b>		6 155 169	4 736 108	169 964 577	47 721 693	30 664 789	65 441 992	324 684 328
Prior period error	39				(47 721 693)			(47 721 693)
<b>Balance at 1 July 2005 as restated</b>		6 155 169	4 736 108	169 964 577	-	30 664 789	65 441 992	276 962 635
Surplus/(deficit) for the year							(38 440 562)	(38 440 562)
Transfer to CRR		7 991 928				(5 479 025)	-	2 512 903
Property, plant and equipm. purchased		(3 436 061)					3 436 061	-
Capital grants used to purchase PPE							-	-
Transfer to Housing Developm. Fund			171 201					171 201
Offsetting of depreciation				(13 687 632)			13 686 774	(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

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007**

	Nota	<u>Capital Replacment Reserve CRR</u>	<u>Housing Fund</u>	<u>Capital Reserve</u>	<u>Government Grants Reserve</u>	<u>Other Services</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
		R	R	R	R	R	R	R
<b>Balance at 30 June 2006</b>		<b>10 236 260</b>	<b>4 524 715</b>	<b>156 277 804</b>	-	<b>25 185 764</b>	<b>40 468 703</b>	<b>236 693 246</b>
Surplus/(deficit) for the year							(18 715 873)	(18 715 873)
Transfer to CRR		(4 175 122)				-	-	(4 175 122)
Property, plant and equipm. purchased		(1 034 987)					1 034 987	-
Capital grants used to purchase PPE								-
Transfer to Housing Developm. Fund			136 754					136 754
Offsetting of depreciation				(12 423 521)			12 423 521	-
Expenditure		(3 132 294)	(265 050)			-	-	(3 397 344)
Transfer from/to funds,provision				-		(308 469)	4 453 586	4 145 117
Write off stock							47 927	47 927
Write off Combined Systems							79 024	79 024
Write off Loancost and loans Zamdela							8 364 036	8 364 036
Adjustments previous year							(232 482)	(232 482)
Adjustments Auctions previous years							(44 496)	(44 496)
Write off Debtor and Creditor balance							21 045	21 045
<b>Balance at 30 June 2007</b>		<b>1 893 857</b>	<b>4 396 419</b>	<b>143 854 283</b>	-	<b>24 877 295</b>	<b>47 899 978</b>	<b>222 921 832</b>



**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**  
**CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Property Rates		48 945 745	47 526 282
Service Charges		151 178 186	134 041 197
Government Grants and Subsidies		41 582 663	36 719 445
Interest earned - External investments		1 857 337	2 255 683
Other Income		34 031 526	15 324 762
<b>Payments</b>			
Employee related costs		82 924 763	74 354 968
Remuneration of Councillors		8 038 512	4 608 026
Repairs and maintenance		12 885 091	12 970 006
Interest paid		1 566 813	893 547
Bulk purchases		89 275 615	90 197 746
Contracted services		24 485 018	6 249 476
Grants and Subsidies paid		12 260 829	11 642 256
General expenses - other		46 377 877	38 642 838
<b>NET CASH FROM OPERATING ACTIVITIES</b>	28	<b>(219 061)</b>	<b>(3 691 494)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(32 674 155)	(30 091 115)
Proceeds on disposal of property, plant and equipment		564 583	-
Proceeds from sale / procurement of investments		(950 783)	19 250 662
<b>NET CASH FORM INVESTING ACTIVITIES</b>		<b>(33 060 355)</b>	<b>(10 840 453)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans taken up		5 000 000	10 000 000
Loan repayment made		(3 457 485)	(2 989 620)
Increase in consumer deposits		17 336	(164 403)
Increase in deferred income conditional grant		19 302 912	9 092 726
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>20 862 763</b>	<b>15 938 703</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(12 416 653)</b>	<b>1 406 756</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2 864 028</b>	<b>1 457 272</b>
<b>Cash and cash equivalents at the end of the year</b>	29	<b>(9 552 625)</b>	<b>2 864 028</b>

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2007**

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

The standards are summarised as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	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
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

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

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2007**

The Minister of Finance has, in terms of General notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

The entity has elected to early adopt the following requirement(s) in GRAP, GAMAP or SA GAAP, which were exempted in terms of General notice 552 of 2007:

<b>Standard no.</b>	<b>Standard Title</b>	<b>GRAP, GAMAP and/or SA GAAP requirement(s), exempted in terms of General notice 552 of 2007, that have been early adopted</b>
IAS 20 (AC 134)	Accounting for government grants and disclosure.	Entire standard excluding paragraphs 24 and 26, replaced by GAMAP 12.8, GAMAP 17.25 and GAMAP 9.42 – 46.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

**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.

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2007**

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.

Including in the Capital Replacement Reserve there are the following three reserves electrical, water and sewerage network strengthening. These funds are financed by public contributions. The funds can be used for operating and capital expenses on the above networks.

**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).

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2007**

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).

**6 PROPERTY, PLANT AND EQUIPMENT**

2006/07 accounting policy regarding property, plant and equipment transactions agree with that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

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:-

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2007**

<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.

No provision was made for the landfill sites but was expensed during the year as incurred.

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 and in 2006/2007.

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2007**

**8 INVENTORIES**

2006/07 accounting policy regarding inventory transactions agree with that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

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

2006/07 accounting policy differs from that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

The value of water in Water reservoir was calculated on the purchase prices of the water. The value of the stock at the Workshops was determined by the Store price.

**9 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities must initially be recognized at cost.

2006/07 accounting policy regarding financial instrument transactions agree with that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

**9.1 INVESTMENTS**

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.

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2007**

**9.2**    *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.

**9.3**    *TRADE CREDITORS*

Trade creditors are stated at their nominal value.

**9.4**    *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.

**10**    **REVENUE RECOGNITION**

Revenue must initially be recognized at cost.

2006/07 accounting policy regarding revenue transactions agree with that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.



**METSIMAHOLO LOCAL MUNICIPALITY**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR**  
**THE YEAR ENDED 30 JUNE 2007**

**10.1** *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 installment 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.

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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.

**10.2** *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.

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 are 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.

2006/07 accounting policy differs from that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

**10.3** *Revenue from non-exchange transactions*

Fines constitute both spot fines and summonses. Revenue from spot fines is recognized when payment is received. Revenue from summonses is recognized when handed over for collection and the debtor is created.

The above accounting policy is in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

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**11 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.

**12 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.

**13 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 unauthorized 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.

**14 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.

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**15 FOREIGN CURRENCIES**

Not applicable to the Municipality.

**16 COMPARATIVE INFORMATION**

16.1 *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.

**17 RETIREMENT BENEFITS**

2006/07 accounting policy regarding retirement benefit transactions agree with that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

The municipality provides retirement benefits for its employees and councilors. 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.

**18 GOVERNMENT GRANTS**

2006/07 accounting policy differs from that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

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*18.1 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 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 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).

*18.2 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.

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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).

*Paragraph 22.1 and 22.2 were two separate accounts during 2003/2004 and are currently combined as one account namely Future Depreciation Reserves: Government Grants, Public Contributions and Donations*

The accounting policy applied in the 2006/07 is in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

Government Grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the entity.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Subsidiary conditions may also be attached restricting the type or location of the assets or the period during which they are to be required or held.

Grants related to income are government grants other than those related to assets.

Government grants, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that:

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

Government grants must be recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. They shall not be credited directly to shareholders' interests.

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A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, must be presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Where the current year's accounting policy regarding Conditional Grants and Receipts transactions agrees with that applied in the prior year, the accounting policy is as follow:

**18.3** *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.

**19 INTANGIBLE ASSETS**

2006/07 accounting policy differs from that applied in the 2005/06 financial year, in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

There was no accounting policy for intangible assets. The intangible assets were accounted for under property, plant and equipment.

The accounting policy applied in the 2006/07 is in accordance with the exemptions in Gazette no. 30013 of 29 Jun'07.

An intangible asset should be recognized when:

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

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Intangible assets should be initially recognized at cost and comprise of:

- software

Intangible assets should be carried at cost less any accumulated amortization.

Computer software should be capitalized to computer equipment where it forms an integral part of computer hardware.

Amortization is provided to write down the assets, on a straight-line basis, over the estimated useful life, as follows:

<b>Item</b>	<b>Useful life</b>
Computer software	2-5 Years



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	2007	2006
	R	R
<b>1 INVENTORY</b>		
Consumable Stores-at cost	2 026 246	1 554 828
Unsold properties	66 122	66 122
Water Reservoir	150 444	-
<b>Total Inventory</b>	<b>2 242 812</b>	<b>1 620 950</b>

Inventory is net of specific provisions for obsolescence.

The Municipality has only recognised purchased waterstock on hand on 30 June 2007 in above note as allowed in terms of the exemption. This amount has been estimated using water in reservoirs and the different purchase prices of water.

Included in inventory are items that may meet the definition of property, plant and equipment but have been included as inventory because the process of identifying property, plant and equipment for reporting purposes. These items will be transferred to property, plant and equipment in terms of GAMAP 17.

**2 CONSUMER DEBTORS**

	Gross Balances	Provision for Bad Debts	Net Balances
	R	R	R
<b>As at 30 June 2007</b>			
Service Debtors	212 015 580	(98 809 027)	113 206 553
Rates	56 405 880	-	56 405 880
Electricity	28 202 312	-	28 202 312
Water	83 166 471	-	83 166 471
Sewerage	14 451 173	-	14 451 173
Refuse	29 789 744	-	29 789 744
Provision for Bad Debts	-	(98 809 027)	98 809 027
Housing Rentals	64 377	-	64 377
<b>Total</b>	<b>212 079 957</b>	<b>(98 809 027)</b>	<b>113 270 930</b>

<b>As at 30 June 2006</b>			
Service Debtors	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
<b>Total</b>	<b>193 468 859</b>	<b>(82 284 775)</b>	<b>111 184 084</b>

**Rates Ageing**

Current	7 021 520	7 456 108
1 - 30 days	1 698 220	3 808 021
31 - 60 days	1 251 530	2 433 085
61 - 90 days	1 075 445	962 099
91 - 120 days	899 360	936 951
120 + days	44 459 805	42 047 558
<b>Total</b>	<b>56 405 880</b>	<b>57 643 822</b>

**Services (Electricity, Water, Sewerage and Refuse) Ageing**

Current	39 661 641	14 953 898
1 - 30 days	6 709 359	4 598 941
31 - 60 days	4 543 987	3 770 418
61 - 90 days	6 668 491	3 128 310
91 - 120 days	5 973 945	3 994 648
120 + days	92 052 277	105 314 445
<b>Total</b>	<b>155 609 700</b>	<b>135 760 660</b>

**Housing Rentals Ageing**

+ 365 days	<b>64 377</b>	<b>64 377</b>
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	2007 R	2006 R	
<b><u>SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION</u></b>			
	<b>Consumers R</b>	<b>Industrial Commercial R</b>	<b>National and Provincial Government R</b>
<b>30 June 2007</b>			
Current	40 128 629	6 436 758	117 774
1 - 30 days	7 085 615	1 259 805	62 159
31 - 60 days	4 428 882	1 339 923	26 717
61 - 90 days	7 126 599	568 848	48 489
91 - 120 days	6 314 374	545 575	13 356
120 + days	<u>125 358 445</u>	<u>11 193 755</u>	<u>24 254</u>
Sub-total	190 442 544	21 344 664	292 749
Less: Provision for Bad Debts	(98 809 027)	-	-
<b>Total Debtors by Customer Classification</b>	<b><u>91 633 517</u></b>	<b><u>-</u></b>	<b><u>292 749</u></b>

**SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION**

<b>30 June 2006</b>			
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)	-	-
<b>Total Debtors by Customer Classification</b>	<b><u>99 164 022</u></b>	<b><u>-</u></b>	<b><u>187 412</u></b>

**Reconciliation of Bad Debts Provision**

Balance at beginning of year	82 284 775	61 293 802
Contributions to Provision	17 000 000	21 000 000
Bad Debts written off against Provision	(475 747)	(9 027)
Balance at end of year	<b><u>98 809 028</u></b>	<b><u>82 284 775</u></b>

**3 OTHER DEBTORS**

Sundry Debtors	40 507 410	12 195 428
<b>Total Other Debtors</b>	<b><u>40 507 410</u></b>	<b><u>12 195 428</u></b>

**4 LONG-TERM RECEIVABLES**

Staff housing loans	18 846	21 072
Car loans	475 671	1 097 700
Housing selling scheme loans	667 012	667 012
Housing Loans RDP houses	4 392 631	4 273 606
	<u>5 554 160</u>	<u>6 059 390</u>
Less: Current portion transferred to current receivables	(488 843)	(588 389)
Staff housing loans	(2 324)	(2 081)
Car loans	(318 519)	(418 308)
Housing selling scheme loans	-	-
Housing Loans RDP houses	(168 000)	(168 000)
<b>Total Receivables</b>	<b><u>5 065 317</u></b>	<b><u>5 471 001</u></b>

**STAFF HOUSING LOANS**

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.

**HOUSING SELLING SCHEME LOANS**

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.

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2007  
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***RDP HOUSES LOANS***

Loan are granted for the purchese of the land(stands)

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	2007 R	2006 R
<b>5 CALL INVESTMENT DEPOSITS</b>		
30 Days Deposits	5 505 154	7 012 488

Deposits amounting to R93 460(2006: R7 012 488) have been ring - fenced for the purpose of the Capital Replacement Reserve and an amount of R5 411 694 have been ring-fenced for the purpose of Creditors obligations as set out in Note 12.

**6 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

2004

Cash book balance at beginning of year	(4 153 775)	1 451 957
Cash book balance at end of year	(14 274 806)	(4 153 775)
Bank Statement at beginning of year	2 408 182	8 598 323
Bank Statement at end of year	(4 088 977)	2 408 182

**Cash on Hand**

Balance at beginning of year	5 315	5 315
Balance at end of year	5 315	5 315

**Transmission Account**

ABSA Sasolburg Branch  
 Account no. 520 000 062

Cash book balance at beginning of year	-	-
Cash book balance at end of year	(788 288)	-
Bank Statement at beginning of year	-	-
Bank Statement at end of year	800 853	-

**7 PROPERTY, PLANT AND EQUIPMENT**

The Municipality did not review the useful life or the depreciation method used on the asset recognised in the annual financial statements for the 2006/2007 financial year due to exemption granted in Gazette 30013.

Due to the process of identifying any asset that may be impaired for reporting purposes on the carrying value of the different asset categories included above could not be determined and as a result no impairment loss has been recognised in the 2006/2007 financial year. This is also due to the application of an exemption granted in Gazette 30013.

Included in land and buildings are items that may meet the definition of investment property but have been included as Property, plant and equipment because the process of identifying investment property for reporting purposes. These items will be transferred to investment property once they have been identified as investment property in terms of IAS 40.

Included in Property, plant and equipment are items that meet the definition of inventory but have been included as Property, plant and equipment because the process of identifying inventory for reporting purposes. These items will be transferred to inventory once they have been identified as inventory in terms of GAMAP 12.

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	2007 R	2006 R
<b>8 INTANGIBLE ASSETS</b>		
<p>Due to the process of identifying any other intangible asset that may be impaired for reporting purposes on the carrying value of the different asset categories included in property, plant and equipment could not be determined and as a result no impairment loss has been recognised in the 2006/2007 financial year. This is also due to the application of an exemption granted in Gazette 30013.</p>		
<b>30 June 2007</b>		
	<b>Computer Software</b>	<b>Total</b>
<b>Reconciliation of Carrying Value</b>		
<b>Carrying values at 1 July 2006</b>	<b>145 364</b>	<b>145 364</b>
Cost	1 805 126	1 805 126
Accumulated depreciation		
- Cost	1 659 762	1 659 762
Acquisitions	19 200	19 200
Depreciation	66 006	66 006
- based on cost	66 006	66 006
Carrying value of disposals	-	-
Cost/revaluation	6 804	6 804
Accumulated depreciation	6 804	6 804
Impairment losses		
Other movements		
<b>Carrying values at 30 June 2007</b>	<b>98 558</b>	<b>98 558</b>
Cost	1 817 522	1 817 522
Accumulated depreciation	1 718 964	1 718 964
<b>30 June 2006</b>		
<b>Reconciliation of Carrying Value</b>		
<b>Carrying values at 1 July 2005</b>	<b>175 615</b>	<b>175 615</b>
Cost	1 650 448	1 650 448
Accumulated depreciation		
- Cost	1 474 833	1 474 833
- Revaluation		
Acquisitions	154 678	154 678
Depreciation	184 928	184 928
- based on cost	184 928	184 928
Carrying value of disposals		
Cost/revaluation		
Accumulated depreciation		
Impairment losses		
Other movements		
<b>Carrying values at 30 June 2006</b>	<b>145 365</b>	<b>145 365</b>
Cost	1 805 126	1 805 126
Revaluation		
Accumulated depreciation	1 659 761	1 659 761
<b>9 INVESTMENTS</b>		
<b>Listed</b>		
Sanlam	<b>7 575 418</b>	<b>6 625 119</b>
<b>Financial Instruments</b>		
Fixed Deposits	-	-
Other Deposits (Collateral Housing Deposits)	29 821	29 337
Total Cash Investments	<b>29 821</b>	<b>29 337</b>
<b>Total Investments</b>	<b>7 605 239</b>	<b>6 654 456</b>
<b>Council Valuation of unlisted investments</b>		
Sanlam	<b>7 575 418</b>	<b>6 625 119</b>
<b>Allocation of external investments</b>		
<p>In terms of legislation, surplus cash is invested until used for specific purposes. Investments are allocated on the following basis:</p>		
Repayment of Fixed Period External loans	7 575 418	6 625 119
<b>Total</b>	<b>7 575 418</b>	<b>6 625 119</b>

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2007  
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2006  
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	<u>2007</u>	<u>2006</u>
	R	R
<b>10 CONSUMER DEPOSITS</b>		
Total Electricity and Water	<u>7 091 811</u>	<u>7 074 475</u>
Guarantees in lieu of Electricity and Water deposits.	<u>45 300</u>	<u>45 300</u>

**11 PROVISIONS**

Leave provision	5 116 535	6 716 134
Balance at beginning of year	4 808 066	4 437 244
Transfer		
Contributions	308 469	2 278 890
Expenditure		(1 908 068)
<b>Balance at end of year</b>	<b>5 116 535</b>	<b>4 808 066</b>

Leave provision consist of long service leave and normal service leave. The provision for long service leave is for all accumulated leave not taken as at the year end as the expense has vested. The provision for normal service leave is for all accumulated leave not taken as at the year end less estimated days forfeited. No provision was made for normal leave exceeding 48 days, all leave exceeding 48 days and not taken at year end was forfeited.

**12 CREDITORS**

Trade Creditors	16 860 108	12 550 439
Other Creditors	36 350 851	19 377 351
Payments received in advance	4 201 064	18 622 673
<b>Total Creditors</b>	<b>57 412 023</b>	<b>50 550 463</b>

**13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

<b>Conditional Grants from other spheres of Government</b>	14 712 722	3 957 982
MIG Grants	1 572 584	1 344 448
DME	2 692 048	589 696
District Municipality	66 694	66 694
DWAF	403 531	299 042
Equitable share	9 304 643	1 020 692
Financial Management Grant	40 632	4 820
Provincial Government	632 590	632 590
<b>Other Conditional Receipts</b>	44 247	43 061
SETA	1 186	-
Public Contribution SCI	43 061	43 061
<b>Total Conditional Grants and Receipts</b>	<b>14 756 969</b>	<b>4 001 043</b>

See Note 19 for reconciliation of grants from National/Provincial Government. These amounts are invested in a ring-fenced investment until utilized.

**14 VAT**

VAT payable	<u>19 337 049</u>	<u>16 653 177</u>
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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 R15 987 571.

**15 LONG-TERM LIABILITIES**

Annuity Loans	11 069 735	9 323 518
Government Loans : Housing/Selling scheme	0	138 561
Government Loans : Other/Hostel housing	0	168 337
Sub-total	11 069 735	9 630 416
Less: Current portion transferred to current liabilities	(5 675 485)	(3 173 114)
Annuity loans	(5 675 485)	(3 086 749)
Government loans : Housing/Selling scheme		(15 821)
Government loans : Other/Hostel housing		(70 544)
<b>Total External Loans</b>	<b>5 394 250</b>	<b>6 457 302</b>

Refer to Appendix A for more detail on long-term liabilities. R5 675 485 (2006 : R3 173 114) has been set aside for repayment of long-term liabilities. Refer to note 30 for more detail.

**Other**

Loan to RDP house owners	4 392 995	4 289 799
Less: Current portion transferred to current liabilities	(168 000)	(168 000)
<b>Total Other</b>	<b>4 224 995</b>	<b>4 121 799</b>

**Deferred Conditional Grant**

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	2007	2006
	R	R
Conditional Grant	76 117 331	56 814 419
Less: Current portion of conditional grant	<u>(8 994 138)</u>	<u>(8 028 771)</u>
<b>Total Deferred conditional Grant</b>	<b><u>67 123 193</u></b>	<b><u>48 785 648</u></b>
<b>Total Long-Term Liabilities</b>	<b><u>76 742 438</u></b>	<b><u>59 364 749</u></b>



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	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>16 HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	4 396 419	4 524 715
Unappropriated Surplus	4 396 419	4 524 715
The Housing Development Fund is represented by the following assets and liabilities:		
Anauthorised use of cash for other purposes		
Investments	4 396 419	4 524 715
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>4 396 419</b>	<b>4 524 715</b>

**17 PROPERTY RATES**

**Actual**

Residential	26 942 629	27 597 492
Commercial	5 201 574	4 812 214
Light Industries	1 676 903	1 499 434
Heavy Industries	13 657 934	12 326 259
State	1 466 705	1 290 883
Municipality		
<b>Total Assessment Rates</b>	<b>48 945 745</b>	<b>47 526 282</b>

**Valuations**

	<i>June 2007</i>	<i>June 2006</i>
	<i>R000's</i>	<i>R000's</i>
Residential	343 054	333 107
Commercial	38 592	79 522
Light Industries	34 657	49 540
Heavy Industries	31 457	30 526
State	17 301	17 301
Municipality	46 127	46 127
<b>Total Property Valuations</b>	<b>511 188</b>	<b>556 123</b>

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	- 9.76	cents per Rand
- Zamdela	- 12.57	cents per Rand
Commercial	- 13.07	cents per Rand
Light Industries	- 19.44	cents per Rand
Heavy Industries	- 43.63	cents per Rand
State	- 13.07	- 20% cents per Rand

***Deneysville / Refenggotso***

Residential:		
- Deneysville	- 12.74	cents per Rand
- Refenggotso	- 4.54	cents per Rand
Businesses	- 21.11	cents per Rand
State	- 21.11	- 20% cents per Rand

***Oranjeville / Metsimaholo***

Residential:		
- Oranjeville	- 6.95	cents per Rand
- Metsimaholo	- 4.54	cents per Rand
Businesses	- 08.02	cents per Rand
State	- 8.02	- 20% cents per Rand

**18 SERVICE CHARGES**

Sale of Electricity	61 180 721	55 924 135
Sale of Water	66 841 033	56 389 739
Refuse removal	10 536 874	9 855 239
Sewerage and Sanitation charges	12 619 558	11 872 084
<b>Total Service Charges</b>	<b>151 178 186</b>	<b>134 041 197</b>

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	2007 R	2006 R
<b>19 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share (Operating)	32 095 254	26 487 141
Financial Management Grant (Operating)	413 270	2 203 534
Provincial Government (Operating)	80 000	46 025
Department of Water (Capital)	-	86 796
District Municipality (Capital)	4 080 468	5 037 594
DME (Capital)	5 397 648	854 936
Provincial Government MIG (Capital)	18 693 804	10 805 177
Financial Management Grant (Capital)	50 917	145 847
SETA (Capital)	13 814	-
SCI (Capital)	60 399	145 121
<b>Total Government Grants and Subsidies</b>	<b>60 885 574</b>	<b>45 812 171</b>
<b>Equitable Share (Operating)</b>		
In terms of The Constitution the grant is used to subsidise the provision of free	167	158
<b>Financial Management Grant (Operating)</b>		
Balance unspent at beginning of year	4 820	354 201
Current year receipts	500 000	1 854 153
Conditions met - transferred to revenue	464 187	2 203 534
Conditions still to be met - transferred to liabilities	40 633	4 820
The Municipality received the FMG from National Treasury. It is used for capacity building and assistance to Financial Services to improve service delivery.		
<b>Provincial Government (Operating)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	80 000	-
Conditions met - transferred to revenue	80 000	-
Conditions still to be met - transferred to liabilities	-	-
Funds received from Provincial Government to assist with Spatial framework.		
<b>District Municipality (Capital)</b>		
Balance unspent at beginning of year	66 695	38 597
Current year receipts	4 080 468	5 065 692
Conditions met - transferred to revenue	(4 080 468)	(5 037 594)
Conditions still to be met - transferred to liabilities	66 695	66 695
Capital projects (infrastructure) financed by the District Council.		
<b>DME (Capital)</b>		
Balance unspent at beginning of year	589 696	444 632
Current year receipts	7 500 000	1 000 000
Conditions met - transferred to revenue	(5 397 648)	(854 936)
Conditions still to be met - transferred to liabilities	2 692 048	589 696
Installation of electricity in the Municipality's area, financed by DME.		
<b>Department of Water</b>		
Balance unspent at beginning of year	299 043	-
Current year receipts	104 488	385 839
Conditions met - transferred to revenue	-	(86 796)
Conditions still to be met - transferred to liabilities	403 531	299 043
Funds for waterworks at Deneysville Government Housing.		
<b>Provincial Government</b>		
Balance unspent at beginning of year	632 590	66 222
Current year receipts	-	670 000
Conditions met - transferred to revenue	-	(103 632)
Conditions still to be met - transferred to liabilities	632 590	632 590
Funds for waterworks at laboratory		
<b>SCI (Capital)</b>		
Balance unspent at beginning of year	43 061	43 061
Current year receipts	60 399	145 121
Conditions met - transferred to revenue	(60 399)	(145 121)
Conditions still to be met - transferred to liabilities	43 061	43 061
Equipment for Library Zamdela		

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	2007 R	2006 R
<b>Provincial Government MIG (Capital)</b>		
Balance unspent at beginning of year	1 344 448	2 415 689
Current year receipts	18 921 941	9 733 936
Conditions met - transferred to revenue	<u>(18 693 804)</u>	<u>(10 805 177)</u>
Conditions still to be met - transferred to liabilities	<u>1 572 585</u>	<u>1 344 448</u>

Funds received for installation of infrastructure

**Financial Management Grant (Capital)**

Balance unspent at beginning of year	-	-
Current year receipts	50 917	145 847
Conditions met - transferred to revenue	<u>(50 917)</u>	<u>(145 847)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

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

**SETA Grant (Capital)**

Balance unspent at beginning of year	-	-
Current year receipts	15 000	-
Conditions met - transferred to revenue	<u>(13 814)</u>	<u>-</u>
Conditions still to be met - transferred to liabilities	<u>1 186</u>	<u>-</u>

The Municipality received funds from SETA for excellence performance by Human Resources division

**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.

**20 OTHER INCOME**

Selling of houses	-	-
Other Income	1 282 072	1 511 636
<b>Total other income</b>	<u>1 282 072</u>	<u>1 511 636</u>

**21 EMPLOYEE RELATED COSTS**

Salaries and Wages	58 187 102	55 310 975
Council Contributions - UIF, pension, medical, group Ins.	12 713 968	10 960 464
Travel, Motor car, accommodation, subsistence and other allowance	4 934 654	2 469 321
Housing benefits and allowance	454 152	409 003
Overtime payments	6 634 887	5 205 205
<b>Total Employee Related cost</b>	<u>82 924 763</u>	<u>74 354 968</u>

There was no advances to employees.  
Loans to employees are set out in note 4.

**Remuneration of the Municipal Manager**

Annual Remuneration	364 646	370 795
Car Allowance	199 455	186 976
Contributions - UIF, pension, medical, group Ins.	84 359	81 603
Travel, Motor car, accommodation, subsistence and other allowance	27 120	12 120
<b>Total</b>	<u>675 580</u>	<u>651 494</u>

**Remuneration of Chief Financial Officer**

Annual Remuneration	334 008	331 307
Car Allowance	178 107	163 761
Contributions - UIF, pension, medical, group Ins.	55 424	52 041
Travel, Motor car, accommodation, subsistence and other allowance	21 241	12 120
<b>Total</b>	<u>588 780</u>	<u>559 229</u>

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	2007		2006	
	R		R	
<b>Remuneration of Directors - 2007</b>	<b>Technical Services</b>	<b>Corporate Services</b>	<b>Social Services</b>	<b>Economic Development</b>
Annual Remuneration	313 937	354 772	271 640	350 683
Car Allowance	180 050	175 322	134 245	182 110
Contributions - UIF, pension, medical, group Ins.	76 360	79 348	32 119	63 685
Travel, Motor car, accommodation, subsistence and other allowance	21 241	22 535	16 429	21 526
<b>Total</b>	<b>591 588</b>	<b>631 977</b>	<b>454 433</b>	<b>618 004</b>

	2007		2006	
	R		R	
<b>Remuneration of Directors - 2006</b>	<b>Technical Services</b>	<b>Corporate Services</b>	<b>Social Services</b>	<b>Economic Development</b>
Annual Remuneration	308 780	378 632	332 907	339 353
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>

**22 REMUNERATION COUNCILLORS**

Executive Mayor	319 276	284 493
Speaker	251 827	275 283
Mayoral Committee Members	1 588 234	1 498 103
Councillors	2 746 539	1 509 411
Councillors' pension contribution	583 375	297 660
Councillors' medical contribution	146 664	178 881
Telephone Allowance	313 940	-
Traveling allowance	2 088 657	564 195
<b>Total Councillors' Remuneration</b>	<b>8 038 512</b>	<b>4 608 026</b>

**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.

**23 INTEREST PAID**

Long term Liabilities	927 515	893 547
Bank Overdraft	81 251	-
Rand Water	558 047	-
<b>Total Interest on External Borrowings</b>	<b>1 566 813</b>	<b>893 547</b>

**24 BULK PURCHASES**

Electricity	39 035 991	35 640 208
Water	50 239 624	54 557 538
<b>Total Bulk purchases</b>	<b>89 275 615</b>	<b>90 197 746</b>

**25 GRANTS AND SUBSIDIES PAID**

Grant to Community Chess	17 544	20 000
Equitable Share	12 243 285	11 622 256
<b>Total Grants and Subsidies</b>	<b>12 260 829</b>	<b>11 642 256</b>

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

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	2007 R	2006 R
<b>26 GENERAL EXPENSES</b>		
Audit Fees	1 479 566	1 978 182
Bank Charges	863 197	1 363 133
Financial Management Grant	166 124	1 147 526
Insurance Premium	1 602 136	1 397 030
Insurance Aggregate	86 187	-
Regional Services Levy	424	367 954
Skills Development	682 890	615 564
Advertising	215 766	218 499
Bursaries	14 494	58 062
Conference and Delegations	281 183	347 655
Connection Charges	983 409	362 726
Entertainment	198 878	470 764
Fuel and Oil Vehicles	2 867 733	2 531 152
Membership Fees	278 426	350 817
Postage	945 101	767 080
Printing and Stationary	614 356	621 818
Professional Fees	3 871 683	3 784 604
Rental: External Equipment	5 753 697	2 346 049
Sewer treatment charges	7 620 600	7 278 844
Stocks and Material	1 197 506	1 148 037
Telephone	2 214 996	2 071 024
Training	585 747	377 294
Uniforms and Overalls	265 106	317 465
Legal Expenses	4 196 897	1 286 361
Transport claims	233 658	201 973
Departmental Consumption	4 547 291	5 193 674
License fees Vehicles	119 727	129 324
Valuation cost	2 478 076	-
Other	2 040 023	1 910 227
	<b>46 404 877</b>	<b>38 642 838</b>

**27 CORRECTION OF ERROR**

Refer to Note 18. Balance unspent at beginning of year (2005/2006) was correct for Provincial Government and SCI grants.

**28 CASH GENERATED BY OPERATIONS**

Net surplus/deficit for the year	(18 715 873)	(38 440 562)
Non cash movement		
Adjustment for:		
Depreciation	23 452 852	22 969 792
Gain on disposal of property, plant and equipment	(303 334)	-
Contributions to provisions	308 469	2 888 806
<b>Operating surplus before working capital changes:</b>	<b>4 742 114</b>	<b>(12 581 964)</b>
(Increase) / Decrease in inventory	(621 862)	18 709
(Increase) / Decrease in consumer debtors	(19 086 846)	(15 258 442)
(Increase) / Decrease in other debtors	(28 311 982)	(1 255 012)
Increase / (Decrease) in creditors	6 861 560	1 138 009
Increase / (Decrease) in Conditional Grants	10 755 926	(32 671)
(Increase) / Decrease in non-current receivables	505 230	924 692
Increase / (Decrease) in VAT	2 683 872	1 232 001
Increase / (Decrease) in Provisions	17 000 000	21 361 795
Increase / (Decrease) in Other Funds	(1 591 308)	761 389
Appropriation transactions - previous year	6 844 235	
<b>Cash Generated by/(utilized in) Operations</b>	<b>(219 061)</b>	<b>(3 691 494)</b>

**29 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	5 315
Call Investment Deposit	5 505 154	7 012 488
Bank overdraft	(15 063 094)	(4 153 775)
<b>Total in cash and cash equivalents</b>	<b>(9 552 625)</b>	<b>2 864 028</b>

**30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term liabilities (Note 15)	5 394 250	1 807 279
Used to finance property, plant and equipment	(5 394 250)	(1 807 279)
Sub-total	-	-
Cash set aside for repayment of long-term liabilities	5 494 250	1 807 279
<b>Cash invested for repayment of long-term liabilities</b>	<b>5 494 250</b>	<b>1 807 279</b>

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	2007 R	2006 R		
<b>31 ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>				
<b>31.1 Contributions to Salga</b>				
Opening balance				
Council Subscriptions	266 186	329 839		
Amount paid - current year	(266 186)	(329 839)		
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>		
<b>31.2 Audit Fees</b>				
Opening balance	-	-		
Current year audit fee	1 479 565	1 978 182		
Amount paid - current year	(1 479 565)	(1 978 182)		
Amount paid - previous year				
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>		
<b>31.3 VAT</b>				
VAT payable is shown in note 12.				
All VAT returns have been submitted by the due date throughout the year.				
<b>31.4 PAYE and UIF</b>				
Opening balance		-		
Current year payroll deductions	9 994 188	9 051 732		
Amount paid - current year	(9 994 188)	(9 051 732)		
Amount paid - previous year				
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>		
<b>31.5 Pension and Medical Aid Deductions</b>				
Opening balance	-	-		
Current year payroll deductions	21 263 735	17 571 654		
Amount paid - current year	(21 263 735)	(17 571 654)		
Amount paid - previous year				
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>		
<b>31.6 Councillor's arrear accounts</b>				
The following Councillors had arrear accounts outstanding for more than 90 days as at :				
<b>30 June 2007</b>	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	
None	-	-	-	
<b>Total Councillor arrear consumer accounts</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>30 June 2006</b>	<b>Total</b>	<b>Outstanding less than 90 days</b>	<b>Outstanding more than 90 days</b>	
M Mokubung	2 518	1 802	716	
M A Malindi	3 260	50	3 210	
<b>Total Councillor arrear consumer accounts</b>	<b>5 778</b>	<b>1 852</b>	<b>3 926</b>	
During the year the following Councillor's had arrear accounts outstanding for more than 90 days			<b>Highest amount outstanding</b>	<b>Ageing</b>
<b>30 June 2007</b>				
None				
<b>30 June 2006</b>				
M Mokubung		3 856		150 days
M A Malindi		3 542		1500 days

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	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>32 CAPITAL COMMITMENTS</b>		
- Commitments in respect of capital expenditure		
- Approved and contracted for:		
- Infrastructure	5 411 694	2 975 531
- Approved but not yet contracted for:		
- Infrastructure	-	-
<b>Total</b>	<b>5 411 694</b>	<b>2 975 531</b>
 This expenditure will be financed from:		
- External Loans	-	-
- Asset Financing Reserve	-	-
- Government Grants	5 411 694	2 975 531
- District Council Grants	-	-
- Other	-	-
	<b>5 411 694</b>	<b>2 975 531</b>

An amount of R18 921 941:2007 ( R9 733 936:2006) was received from MIG and all the conditions have not been met yet.

An amount of R7 148 158 :2007 ( R1 000 000: 2006) is for DME Grants that the full conditions have not been met yet.

An amount of R104 488:2007(R385 839:2006) is received from DWAF and all the conditions have not been met yet.

**33 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%.

**34 EVENTS AFTER THE REPORTING DATE**

On the 2nd of July 2007 the Refengkgotso offices were damaged due to the riotous of residence.

Councillor N M Mokoena past away on the 02 July 2007.

**35 COMPARISON WITH THE BUDGET**

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

**36 DISCLOSURE OF RELATED PARTIES**

**36.1 Related parties and transactions**

Councillor N M Mtimkulu:Letsema Civil Works	-	40 444
Mr M Penkin : CT Computers	-	78 265
Councillor N M Mtimkulu:Letsema Cleansing Services	529 914	525 966
Councillor S I Ramathesele : Mamohato Construction	46 535	4 326

**36.2 Related party relationships**

The Municipal Entity (The Mayoral Trust) was under the sole control of the municipality during the financial year. The Mayoral Trust was not consolidated in the current and previous financial year.

**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**

**37 DISALLOWED**

**37.1 Fruitless and wasteful expenditure**

Reconciliation of fruitless and wasteful expenditure		
Opening balance	-	-
Fruitless and wasteful expenditure current year	943 938	-
Condoned by Council	171 284	-
Fruitless and wasteful expenditure	<b>1 115 222</b>	<b>-</b>

Incident	Actions taken		
Interest on Rand Water		558 047	-
Suspended Employees - Salaries (Refer to Note 22)	<i>Disciplinary hearing was held and one of the employees was dismissed.</i>	385 891	-
		<b>943 938</b>	<b>-</b>

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	2007 R	2006 R
<b>Incident</b>		
Purchases without an order	22 525	
Purchases without an order and not budgeted for	148 759	
	171 284	

**38 Restatement of comparative figures**

Certain comparative figures have been reclassified which has resulted in more appropriate disclosure and presentation.



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	2007	2006
	R	R
<b>39 Prior Period Error</b>		
<b>Government Grants</b>		
Government Grants are accounted for in terms of IAS 20 paragraph 26. The client accounted for government grants directly as part of the reserves and as per IAS 20 paragraph 12 stated that the client shall not credited government grants to shareholders' interests.		
Increase / Decrease in the Government Grants Reserve		(47 721 693)
Increase / Decrease in the Deferred Income Conditional Grant		56 814 419
Decrease in Government Grants and Subsidies revenue		(9 092 726)
Effect on the Accumulated Surplus		-
<b>40 Contingent Liability</b>		
<b>40.1 Housing Loans</b>		
Guarantees for housing loans to employees at financial institutions.	29 821.00	-

**41 Risk management**

**Liquidity risk**

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

Cash flow forecasts are prepared monthly and adequate utilised borrowing facilities are monitored. The Council has a R 5 million overdraft facility with ABSA BANK to ensure adequate borrowing facilities are available. The cash flow of the Council is managed on a daily basis and any problems are communicated to the management in time to ensure arrangements with major suppliers can be reached. The cash flow of the Council was placed under pressure due to an unforeseen problem in the form of a sudden abnormal level of unaccounted for water. The situation was managed and Council took drastic action to improve the matter.

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

The exposure of Council risk to liquidity due to the non payment of debtors are managed by ensuring that adequate deposits are required by consumers.

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

Paid up annuity  
 Shares SANLAM LTD  
 Non paid up annuity  
 Approved additional credit facility available

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

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

**Risk from biological assets**

The Council is not exposed to financial risks arising from changes in any purchased biological bulk services. The Council operates two water purification plants as well as two sewer purification plants in Oranjeville and Deneysville which is considered an ecologically sensitive and national key resource area. (Upper and Lower Vaal Dam) The Council has established a disaster management committee and forum to ensure any disaster can be managed. The main bulk services for the area is purchased and these resources are negotiated through a national negotiation forum that ensure that bulk service purchase price increases are fair. The sewer purification for the Sasolburg and Zamdela services is purchased from SASOL group. The annual price increase is forwarded to the consumers to ensure that financial risks is managed. No joint or separate responsibility for sewer outfall exist on the Sasolburg and Zamdela plant.

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

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

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

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

Adequate (R 100m) public liability insurance is secured annually from the insurers of the Council.

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

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	2007	2006
	R	R

**Interest rate risk**

Deposit and all attract interest at rate that vary with prime. The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus / deficit.

At year end, financial instruments exposed to interest rate risk were as follows.

Call deposits  
Notice deposits  
Long Term Annuity  
DBSA Loan  
ABSA overdraft

**Credit risk**

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

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. The collection of arrears is a priority. The credit control and debt collection policy is reviewed annually to ensure the credit risk is managed. The Council budget for adequate working capital and a bad debt write off policy is being developed. Deposits are levied with new connections to protect the Council from non payment. The indigent register is regularly reviewed and updated. A credit collection section is functioning and any arrear accounts duly followed up. Action is taken timeously against defaulters. For unsuccessful action accounts are handed over to attorneys for collection. Proceeds of the sale of property is attached for amounts owed during the transfer of properties by issuing clearance certificates as required.

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

Financial assets exposed to credit risk at year end were as follows:

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Note 7**  
**Property, Plant and equipment**

	Land and Buildings	Infra- structure	Community	Heritage	Other	Housing	Total
<b>30 June 2007</b>							
<b>Reconciliation of Carrying Value</b>							
<b>Carrying values at 1 July 2006</b>	<b>20 835 689</b>	<b>152 239 381</b>	<b>10 086 671</b>	<b>180 660</b>	<b>16 170 119</b>	<b>25 093 120</b>	<b>224 605 640</b>
Cost	24 857 711	249 656 929	14 764 114	180 870	33 539 124	27 104 302	350 103 050
Accumulated depreciation							-
- Cost	4 022 022	97 417 548	4 677 443	210	17 369 005	2 011 182	125 497 410
Acquisitions	181 544	28 675 049	143 940	-	3 654 423	-	32 654 956
Depreciation	1 049 263	16 840 933	719 419	65	4 367 955	409 212	23 386 847
- based on cost	1 049 263	16 840 933	719 419	65	4 367 955	409 212	23 386 847
- based on revaluation							
Carrying value of disposals	183 900	-	37 870	-	39 478	-	261 248
Cost/revaluation	183 900		37 870		380 544		602 314
Accumulated depreciation					341 066		341 066
Impairment losses							
Other movements					-		-
<b>Carrying values at 30 June 2007</b>	<b>19 784 070</b>	<b>164 073 497</b>	<b>9 473 322</b>	<b>180 595</b>	<b>15 417 109</b>	<b>24 683 908</b>	<b>233 612 501</b>
Cost	24 855 355	278 331 978	14 870 184	180 870	36 813 003	27 104 302	382 155 692
Accumulated depreciation	5 071 285	114 258 481	5 396 862	275	21 395 894	2 420 394	148 543 191

**METSIMAHOLO LOCAL MUNICIPALITY**  
**ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2007**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Note 7**  
**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>	<b>21 746 910</b>	<b>150 516 394</b>	<b>10 850 405</b>	<b>160 005</b>	<b>8 861 923</b>	<b>25 318 431</b>	<b>217 454 068</b>
Cost	24 718 821	231 323 225	14 743 764	180 870	22 369 324	26 920 402	320 256 406
Accumulated depreciation							-
- Cost	2 971 911	80 806 831	3 893 359	20 865	13 507 401	1 601 971	102 802 338
Acquisitions	138 890	18 333 704	20 350	-	11 259 593	183 900	29 936 437
Depreciation	1 050 111	16 610 717	784 084	(20 655)	3 952 255	409 211	22 785 723
- based on cost	1 050 111	16 610 717	784 084	(20 655)	3 952 255	-	22 376 512
- based on revaluation							
Carrying value of disposals	-	-	-	-	-	-	-
Cost/revaluation					204 907		204 907
Accumulated depreciation					204 907		204 907
Impairment losses							
Other movements							
<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>16 169 261</b>	<b>25 093 120</b>	<b>224 604 782</b>
Cost	24 857 711	249 656 929	14 764 114	180 870	33 539 124	27 104 302	350 103 050
Accumulated depreciation	4 022 022	97 417 548	4 677 443	210	17 369 005	2 011 182	125 497 410

## METSIMAHOLO LOCAL MUNICIPALITY

## SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

			Balance	Received	Redeemed/ Written off	Balance	Carrying Value	Other costs
	Loan	Redeem-	at	during	during the	at	of Property	in accordance
	Number	able	1 July 2006	period	period	30 June 2007	Plant and	with
							Equipment	MFMA
<b><u>Long Term loans</u></b>								
<b><u>Annuity loans</u></b>								
DBSA @ 15,3%	8	30/6/2007	8 269		8 269	0		
DBSA @ 15,3%	9	30/6/2007	18 043		18 043	0		
DBSA @ 15,3%	10	30/6/2007	69 578		32 234	37 344		
DBSA @ 15,6%	11	30/6/2008	27 120		9 646	17 474		
DBSA @ 13,5%	1	31/3/2008	1 377 435		642 544	734 891	378 124	
INCA	2	30/6/2009	7 823 073	0	2 375 631	5 447 442	5 166 767	
INCA	3	30/4/2011		5 000 000	167 416	4 832 584	2 044 334	
			9 323 518	5 000 000	3 253 783	11 069 735	2 303 120	

## METSIMAHOLO LOCAL MUNICIPALITY

## SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

			Balance at 1 July 2006	Received during period	Redeemed/ Written off during the period	Balance at 30 June 2007	Carrying Value of Property Plant and Equipment	Other costs in accordance with MFMA
<b>Housing loans</b>								
F.D.B. @ 6%	100	31/3/2007	15 139		15 139	0		
F.D.B. @ 0%	101	30/9/2008	27 267		27 267	0		
F.D.B. @ 6%	102	30/9/2007	25 858		25 858	0		
F.D.B. @ 6,0%	B13	31/3/2008	1 855		1 855	0		
F.D.B. @ 6%	104	30/9/2008	24 001		24 001	0		
F.D.B. @ 6%	105	30/9/2009	76 072		76 072	0		
F.D.B. @ 6%	B93	30/9/2013	55 170		55 170	0		
F.D.B. @ 6%	B97	30/9/2013	81 536		81 536	0		
			306 898	0	306 898	0		
<b>Total : External Loans</b>			9 630 416	5 000 000	3 560 681	11 069 735	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 1,2 and 3 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					Budget Additions 2007	
	Opening Balance	Additions	Transfer Balance	Disposals	Closing Balance	Opening Balance	Additions	Transfer Disposals	Closing Balance		Carrying Value
<u>Land and Buildings</u>											
Land										0	
Buildings	24 857 711	181 544	0	183 900	24 855 355	4 022 022	1 049 263		5 071 285	19 784 070	11 010 780
	24 857 711	181 544	0	183 900	24 855 355	4 022 022	1 049 263	0	5 071 285	19 784 070	11 010 780
<u>Infrastructure</u>											
Stormwater	19 366 421	3 946 435	0		23 312 856	5 203 139	1 583 139		6 786 278	16 526 578	3 100 000
Roads	71 764 959	237 645	0		72 002 604	41 100 859	6 044 457		47 145 316	24 857 288	2 255 000
Sewerage Mains & Purification	57 408 326	11 973 480	0		69 381 806	12 735 041	3 166 426		15 901 467	53 480 339	10 004 000
Electricity Mains	56 313 591	671 769	0		56 985 360	20 149 987	3 448 529		23 598 516	33 386 844	30 600 000
Electricity Peak Load Equipment	1 531 860		0		1 531 860	473 945	105 489		579 434	952 426	250 000
Water Mains & Purification	41 450 254	11 845 720	0		53 295 974	16 441 650	2 457 322		18 898 972	34 397 002	7 460 000
Reservoirs - Water	1 821 518	0	0		1 821 518	1 312 927	35 571		1 348 498	473 020	0
Water Meters									0	0	
Refuse dumps	0		0		0				0	0	0
	249 656 929	28 675 049	0	0	278 331 978	97 417 548	16 840 933	0	114 258 481	164 073 497	53 669 000
<u>Community Assets</u>											
Parks	3 089 770	143 940	0	37 870	3 195 840	2 225 419	200 571		2 425 990	769 850	100 000
Libraries	0		0		0				0	0	0
Stadiums	4 070 312		0		4 070 312	646 200	179 926		826 126	3 244 186	1 200 000
Halls	3 531 365	0	0		3 531 365	670 520	122 855		793 375	2 737 990	180 000
Theatre	0		0		0		0		0	0	
Swimming Pools	1 128 024	0	0		1 128 024	331 938	114 576		446 514	681 510	80 000
Recreation facilities	566 445		0		566 445	95 915	27 913		123 828	442 617	1 350 000
Clinics	1 510 821	0	0		1 510 821	587 161	43 595		630 756	880 065	
Cemetery	867 377	0	0		867 377	120 290	29 983		150 273	717 104	550 000
	14 764 114	143 940	0	37 870	14 870 184	4 677 443	719 419	0	5 396 862	9 473 322	3 460 000

## METSIMAHOLO LOCAL MUNICIPALITY

## ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	Cost / Revaluation					Accumulated Depreciation					Budget Additions 2007	
	Opening Balance	Additions	Transfer Balance	Disposals	Closing Balance	Opening Balance	Additions	Transfer Disposals	Closing Balance	Carrying Value		
<u>Heritage</u>												
Paintings,sculptures,ect	180 870		0		180 870	210	65		275	180 595		
	180 870	0	0	0	180 870	210	65	0	275	180 595		0
<u>Other Assets</u>												
Landfill Sites												
Furniture	3 670 840	52 672	0	19 825	3 703 687	2 221 702	444 775	0	10 141	2 656 336	1 047 351	465 730
Office equipment	977 499	20 050	0	133	997 416	713 212	118 662	0	108	831 766	165 650	0
Emergency equipment			0		0					0	0	0
Motor vehicles	9 012 961	3 166 521	0	4 091	12 175 391	4 287 751	1 243 655	0	4 091	5 527 315	6 648 076	57 000
Fire Engines	2 188 843	0	0		2 188 843	115 802	109 442			225 244	1 963 599	0
Refuse Trucks	6 856 824	0	0	237 653	6 619 171	3 221 850	1 101 859		194 084	4 129 625	2 489 546	0
Computer equipment	4 284 732	199 005	0	116 841	4 366 896	2 051 802	742 366	0	131 475	2 662 693	1 704 203	973 400
Councillor's Regalia					0		0			0	0	
Other assets	6 547 425	216 174	0	2 000	6 761 599	4 756 886	607 196	0	1 167	5 362 915	1 398 684	17 880 600
	33 539 124	3 654 422	0	380 543	36 813 003	17 369 005	4 367 955	0	341 066	21 395 894	15 417 109	19 376 730
<u>Housing</u>												
Hostels	25 656 292		0		25 656 292	1 799 033	353 291			2 152 324	23 503 968	12 570 900
Housing Rental	1 448 010	0	0		1 448 010	212 149	55 921			268 070	1 179 940	
	27 104 302	0	0	0	27 104 302	2 011 182	409 212	0	0	2 420 394	24 683 908	12 570 900
<b>Total</b>	<b>350 103 050</b>	<b>32 654 955</b>	<b>0</b>	<b>602 313</b>	<b>382 155 692</b>	<b>125 497 410</b>	<b>23 386 847</b>	<b>0</b>	<b>341 066</b>	<b>148 543 191</b>	<b>233 612 501</b>	<b>100 087 410</b>

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

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

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## METSIMAHOLO LOCAL MUNICIPALITY

## SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

	COST					ACCUMULATED DEPRECIATION				
	Opening Balance	Additions	Transfer Balance	Disposals	Closing Balance	Opening Balance	Additions	Transfer	Disposals	Closing Balance
Office of the Municipal Manager	775 948	0	0	20 120	755 828	398 483	103 260		16 431	485 312
Corporate Services	24 470 448	23 093	0	44 109	24 449 432	7 536 596	1 448 696	0	36 682	8 948 610
Information Technology	2 184 110	4 708	-726 571	-6 804	1 469 051	2 029 591	-53 554	-640 354	-6 804	1 342 487
Health Services	2 032 915	3 734	0	2 473	2 034 176	858 564	98 870	0	1 848	955 586
Cleansing Services	5 966 748	563 770	0	171 871	6 358 647	2 632 166	812 828		141 111	3 303 883
Public Safety	7 474 076	20 133	0	750	7 493 459	1 965 844	734 299		612	2 699 531
Parks and Recreation	2 366 820	18 410	0	0	2 385 230	881 032	350 419	0	0	1 231 451
Pleasure Resorts	668 549	12 632	0	0	681 181	313 294	98 428		0	411 722
Community Centres	1 019 867	0	0	0	1 019 867	278 738	79 652		0	358 390
Stadiums	5 422 943	0	0	0	5 422 943	823 925	206 993		0	1 030 918
Swimming Pools	670 718	0	0	0	670 718	183 324	35 852		0	219 176
Cemeteries	1 157 557	68 200	0	0	1 225 757	403 314	45 399		0	448 713
Libraries	879 278	60 399	0	3 581	936 096	465 973	88 318		2 894	551 397
Technical Services	251 727	0	0	5 200	246 527	172 591	33 601	0	4 200	201 992
Electricity	52 056 412	6 078 414	0	2 380	58 132 446	14 686 887	3 777 521	0	1 944	18 462 464
Mechanical Workshop	402 394	0	0	2 328	400 066	204 684	58 557		1 901	261 340
Streets and Stormwater	88 980 874	6 941 099	0	69 874	95 852 099	46 163 473	7 719 372	0	57 064	53 825 781
Buildings	286 836	0	0	0	286 836	133 480	46 856		0	180 336
Sewerage	60 358 422	11 973 481	0	0	72 331 903	13 867 240	3 310 992	0	0	17 178 232
Water	43 133 618	6 642 272	0	0	49 775 890	17 966 060	2 542 495	0	0	20 508 555
Financial Services	4 566 662	243 558	726 571	101 032	5 435 759	1 766 836	833 808	640 354	81 957	3 159 041
Economical Development and Planning	0	0	0	0	0	0	0		0	0
	46 196	0	0	0	46 196	7 149	6 599		0	13 748
Housing Admin	7 265 847	0	0	750	7 265 097	7 240 170	14 129		613	7 253 686
Property Admin	1 152 608	0	0	183 900	968 708	615 704	87 369		0	703 073
Urban Planning	36 511 477	1 053	0	750	36 511 780	3 902 292	906 088		613	4 807 767
<b>TOTAL</b>	<b>350 103 050</b>	<b>32 654 956</b>	<b>0</b>	<b>602 314</b>	<b>382 155 692</b>	<b>125 497 410</b>	<b>23 386 847</b>	<b>0</b>	<b>341 066</b>	<b>148 543 191</b>

**APPENDIX C**

Carrying  
Value

270 516  
15 500 822  
126 564  
1 078 590  
3 054 764  
4 793 928  
1 153 779  
269 459  
661 477  
4 392 025  
451 542  
777 044  
384 699  
44 535  
39 669 982  
138 726  
42 026 318  
106 500  
55 153 671  
29 267 335  
2 276 718  
0  
32 448  
11 411  
265 635  
31 704 013

233 612 501

## APPENDIX D

## METSIMAHOLO LOCAL MUNICIPALITY

## SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007

<b>2006</b>	<b>2006</b>	<b>2006</b>		<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
Actual	Actual	Surplus/		Actual	Actual	Surplus/	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus/
							(Deficit)
<b>112 287 619</b>	<b>133 156 877</b>	<b>-20 869 258</b>	<b>Rates and General Services</b>	<b>148 713 091</b>	<b>169 365 040</b>	<b>-20 651 949</b>	<b>15 847 640</b>
<b>82 105 681</b>	<b>85 564 021</b>	<b>-3 458 340</b>	<b>Community Services</b>	<b>115 862 126</b>	<b>117 463 503</b>	<b>-1 601 377</b>	<b>25 300 330</b>
180 000	1 209 802	-1 029 802	Executive Mayor : Admin	30 000	1 706 956	-1 676 956	1 282 380
0	326 729	-326 729	Youth Unit	0	246 723	-246 723	-340 470
0	78 505	-78 505	Age/Disability/Gender/Children	0	10 534	-10 534	-159 950
0	1 256 718	-1 256 718	Speaker : Admin	0	1 642 920	-1 642 920	-1 619 120
0	1 659 515	-1 659 515	Mayoral Committee	0	3 374 445	-3 374 445	-2 853 580
4 557	2 390 994	-2 386 437	Councillors	4 557	4 339 999	-4 335 442	-3 777 710
0	1 251 738	-1 251 738	Municipal Manager : Admin	0	1 973 168	-1 973 168	-706 580
0	186 119	-186 119	IDP and PMS	0	196 788	-196 788	-311 470
0	116 932	-116 932	Internal Audit	0	105 696	-105 696	-360 660
0	0	0	Masakhane/IEC	0	11 328	-11 328	230 400
0	791 358	-791 358	Director : Transformation & Corp.	0	323 584	-323 584	-295 640
22 717	2 941 907	-2 919 190	Corporate Service : Admin	21 710	2 866 785	-2 845 075	-2 820 140
0	1 107 348	-1 107 348	Human Resources	328 712	1 325 289	-996 577	-1 068 620
0	773 127	-773 127	Legal Services	0	951 860	-951 860	-935 850
77 582	3 390 402	-3 312 820	Civic Centre	77 583	3 154 219	-3 076 636	-4 387 890
0	464 860	-464 860	Staff housing - hostels & dwellings	0	158 212	-158 212	-29 080
91 538	1 536 397	-1 444 859	Business System	109 906	1 641 182	-1 531 276	-919 670
38 163	811 768	-773 605	Director : Social Services	38 161	1 256 191	-1 218 030	-1 507 870

## APPENDIX D

**METSIMAHOLO LOCAL MUNICIPALITY**  
**SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007**

<b>2006</b>	<b>2006</b>	<b>2006</b>		<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
Actual	Actual	Surplus/		Actual	Actual	Surplus/	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus/
							(Deficit)
0	482 835	-482 835	Public Safety & Security : Admin	0	442 923	-442 923	-657 120
0	354 462	-354 462	Disaster & Emergency Management	0	265 555	-265 555	-290 470
0	1 837 855	-1 837 855	Security Services	0	2 379 799	-2 379 799	-1 343 880
4 401 326	6 678 822	-2 277 496	Traffic Services	33 774 487	27 134 355	6 640 132	-531 380
66 748	8 206 409	-8 139 661	Parks, Recreation & Open Spaces	73 624	9 127 901	-9 054 277	-7 639 410
0	216 446	-216 446	Director : Technical Services	0	193 270	-193 270	-1 009 830
18 028	1 936 555	-1 918 527	Engineering Workshop	19 635	1 800 327	-1 780 692	-2 146 040
67 112	918 578	-851 466	Civil Engineering : Admin	56 571	980 577	-924 006	-1 447 280
3 528 459	16 605 986	-13 077 527	Streets & Stormwater	4 157 865	15 965 854	-11 807 989	-5 509 710
0	2 841 446	-2 841 446	Building Maintenance	945	2 914 813	-2 913 868	-3 484 980
	409 115	-409 115	Director : Financial Services	0	264 407	-264 407	-2 012 650
20 355 685	19 774 535	581 150	Financial Services : Admin	23 726 528	24 696 599	-970 071	-607 610
12 468	333 374	-320 906	Stores and Purchasing	936 657	351 798	584 859	-258 350
52 173 168	0	52 173 168	Assessment Rates	51 794 403	0	51 794 403	57 113 110
0	742 326	-742 326	Director : Economic Dev. & Planning	0	885 743	-885 743	-1 003 460
0	406 027	-406 027	Housing prop. & Urban Plan. : Admin	0	557 757	-557 757	-541 650
28	837 770	-837 742	Property Admin	28	1 083 708	-1 083 680	17 925 130
1 066 878	2 331 743	-1 264 865	Urban Planning	710 754	2 251 857	-1 541 103	-95 420
0	352 213	-352 213	Econ. Development : Admin	0	832 883	-832 883	-435 330
1 224	3 305	-2 081	Marketing and Tourism	0	47 498	-47 498	-9 820
0	0	0	Public Relations	0	0	0	-132 000

## APPENDIX D

**METSIMAHOLO LOCAL MUNICIPALITY**  
**SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007**

<b>2006</b>	<b>2006</b>	<b>2006</b>		<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
Actual	Actual	Surplus/		Actual	Actual	Surplus/	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus/
							(Deficit)
<b>420 893</b>	<b>12 967 399</b>	<b>-12 546 506</b>	<b>Subsidized Services</b>	<b>415 563</b>	<b>13 872 563</b>	<b>-13 457 000</b>	<b>-12 908 860</b>
0	5 135 826	-5 135 826	Fire Protection Services	0	5 421 732	-5 421 732	-4 264 360
46 952	833 339	-786 387	Etienne Rousseau Theatre	66 950	756 205	-689 255	-1 547 140
0	0	0	Zamdela Arts and Culture Centre	70	0	70	-19 810
2 050	975	1 075	Refengkgotso Hall	1 214	3 763	-2 549	7 390
12 638	13 649	-1 011	Metsimaholo Hall	12 638	18 659	-6 021	7 220
11 333	355 091	-343 758	Zamdela Community Hall	11 333	281 785	-270 452	-195 230
66 498	1 265 262	-1 198 764	D P de Villiers Stadium	63 896	1 737 175	-1 673 279	-2 730 210
5 570	552 419	-546 849	Moses Kotoane Stadium	789	352 994	-352 205	518 850
0	7 823	-7 823	Refengkgotso Stadium	0	7 484	-7 484	-16 200
0	8 545	-8 545	Metsimaholo Stadium	0	4 000	-4 000	-53 820
53 099	999 996	-946 897	Penny Heyns Swimming pool	35 579	1 004 398	-968 819	-1 316 940
5 053	480 070	-475 017	Zamdela Swimming pool	5 000	641 796	-636 796	-631 130
86 723	521 655	-434 932	Sasolburg Cemetery	70 350	438 002	-367 652	-172 740
39 413	228 048	-188 635	Zamdela Cemetery	20 606	254 076	-233 470	-254 790
0	42 469	-42 469	Deneysville Cemetery	0	51 850	-51 850	286 940
0	1 023	-1 023	Oranjeville Cemetery	0	2 599	-2 599	-10 770
82 143	1 998 264	-1 916 121	Sasolburg Library	90 098	2 195 686	-2 105 588	-2 038 760
9 421	346 893	-337 472	Zamdela Library	37 040	433 414	-396 374	-304 570
0	172 437	-172 437	Deneysville Library	0	263 221	-263 221	-169 590
0	3 615	-3 615	Oranjeville Library	0	3 724	-3 724	-3 200

## APPENDIX D

**METSIMAHOLO LOCAL MUNICIPALITY**  
**SEGMENTAL INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2007**

<b>2006</b>	<b>2006</b>	<b>2006</b>		<b>2007</b>	<b>2007</b>	<b>2007</b>	<b>2007</b>
Actual	Actual	Surplus/		Actual	Actual	Surplus/	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus/
							(Deficit)
<b>29 761 045</b>	<b>34 625 457</b>	<b>-4 864 412</b>	<b><u>Economical Services</u></b>	<b>32 435 402</b>	<b>38 028 974</b>	<b>-5 593 572</b>	<b>3 456 170</b>
12 741 526	13 669 224	-927 698	Cleansing Services	13 724 396	15 057 605	-1 333 209	-1 373 010
1 059 443	2 251 041	-1 191 598	Abrahamsrust Holiday Resort	1 363 834	2 520 321	-1 156 487	-2 210 330
0	6 238	-6 238	Deneysville Shore facility	0	26 732	-26 732	54 580
150	2 071	-1 921	Oranjeville Shore facility	0	1 233	-1 233	77 750
15 959 926	18 696 883	-2 736 957	Sewerage	17 347 172	20 423 083	-3 075 911	6 907 180
<b>255 442</b>	<b>1 779 913</b>	<b>-1 524 471</b>	<b><u>Housing Services</u></b>	<b>363 599</b>	<b>1 640 926</b>	<b>-1 277 327</b>	<b>6 879 670</b>
255 442	1 779 913	-1 524 471	Housing Admin	363 599	1 640 926	-1 277 327	6 879 670
<b>130 428 757</b>	<b>146 475 590</b>	<b>-16 046 833</b>	<b><u>Trading Services</u></b>	<b>151 071 525</b>	<b>147 858 122</b>	<b>3 213 403</b>	<b>59 132 450</b>
61 102 258	53 794 848	7 307 410	Electricity : Admin	68 790 247	56 590 900	12 199 347	14 805 370
742 983	14 296 834	-13 553 851	Electricity : Distribution	980 760	15 322 296	-14 341 536	13 423 830
61 845 241	68 091 682	-6 246 441	Electricity	69 771 007	71 913 196	-2 142 189	28 229 200
68 583 516	78 383 908	-9 800 392	Water Service	81 300 518	75 944 926	5 355 592	30 903 250
<b>242 971 818</b>	<b>281 412 380</b>	<b>-38 440 562</b>	<b><u>Total</u></b>	<b>300 148 215</b>	<b>318 864 088</b>	<b>-18 715 873</b>	<b>81 859 760</b>

## METSIMAHOLO LOCAL MUNICIPALITY

## ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

	2007	2007	2007	2007	Explanation of Significant Variance greater than 10% Versus Budget
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	
<b>Revenue</b>					
Property Rates	48 945 745	54 839 110	(5 893 365)	(11)	
Service Charges	151 178 187	194 358 000	(43 179 813)	(22)	1*
Tariff Charges	8 502 979	5 224 460	3 278 519	63	2*
Fines	33 414 817	7 013 780	26 401 037	376	3*
Government Grant and Subs.	32 588 524	36 607 950	(4 019 426)	(11)	4*
Interest earned - external investments	1 937 277	1 000 000	937 277	94	5*
Interest earned - outstanding debtors	11 487 232	11 550 000	(62 768)	(1)	
Rental facilities and Equipment	1 181 707	812 660	369 047	45	6*
Licenses and Permits	70 954	90 000	(19 046)	(21)	7*
Profit sale of Assets	564 583	-	564 583	100	8*
Other income	1 282 072	6 884 050	(5 601 978)	(81)	9*
Capital Grants and Subsidies	8 994 138	79 724 780	(70 730 642)	(89)	10*
<b>Total Revenue</b>	<b>300 148 215</b>	<b>398 104 790</b>	<b>(97 956 575)</b>	<b>(25)</b>	

## METSIMAHOLO LOCAL MUNICIPALITY

## ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

	2007	2007	2007	2007	Explanation of Significant Variance greater than 10% Versus Budget
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	
<b>Expenditure</b>					
Employee related costs	82 924 763	91 524 550	(8 599 787)	(9)	
Remuneration of Councillors	8 038 512	6 948 860	1 089 652	16	
Bad debts	17 000 000	17 000 000	-	-	
Collection Cost	-	-	-	-	
Depreciation	23 452 852	1 000 000	22 452 852	2 245	12*
Repairs and Maintenance	12 885 092	14 627 300	(1 742 208)	(12)	13*
Interest on external borrowings	1 566 813	1 434 590	132 223	9	14*
Bulk purchases	89 275 616	117 188 690	(27 913 074)	(24)	15*
Contracted Services	24 485 019	7 397 960	17 087 059	231	16*
Grants and Subsidies paid	12 260 830	9 630 000	2 630 830	27	17*
General expenses - Other	46 377 878	50 502 870	(4 124 992)	(8)	16*
Contributions to/(transfers from) provisions	308 469	(1 009 790)	1 318 259	100	18*
Loss on disposal of property, plant and equipment	261 249	-	261 249	100	19*
<b>TOTAL EXPENDITURE</b>	<b>318 837 093</b>	<b>316 245 030</b>	<b>2 592 063</b>	<b>1</b>	
Net Surplus / (Deficit) for the year	(18 688 878)	81 859 760	(100 548 638)		
Less Capital Grants	-	-	-	-	



## METSIMAHOLO LOCAL MUNICIPALITY

## ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007

	2007	2007	2007	2007	Explanation of Significant Variance greater than 10% Versus Budget
	Actual (R)	Budget (R)	Variance (R)	Variance (%)	
Net Surplus / (Deficit) for the year	(18 688 878)	81 859 760	(100 548 638)		

**APPENDIX E(2)**

**METSIMAHOLO LOCAL MUNICIPALITY  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	2007 Under Construction	2007 Total Additions	2007 Budget	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
Land and Buildings							
Land							
Buildings	181 544		181 544	11 010 780	(10 829 236)	(98)	<b>1*</b>
	<hr/>						
	181 544	-	181 544	11 010 780	(10 829 236)	(98)	
<b><u>Infrastructure</u></b>							
Stormwater	3 946 435		3 946 435	3 100 000	846 435	27	<b>2*</b>
Roads	237 645		237 645	2 255 000	(2 017 355)	(89)	<b>3*</b>
Sewerage Mains & Purification	11 973 480		11 973 480	10 004 000	1 969 480	20	<b>4*</b>
Electricity Mains	671 769		671 769	30 600 000	(29 928 231)	(98)	<b>5*</b>
Electricity Peak Load Equipment	-		-	250 000	(250 000)	(100)	<b>5*</b>
Water Mains & Purification	11 845 720		11 845 720	7 460 000	4 385 720	59	<b>6*</b>
Reservoirs - Water	-		-	-	-	100	
Water Meters			-	-	-		
Refuse dumps			-	-	-		
	<hr/>						
	28 675 049	-	28 675 049	53 669 000	(24 993 951)	(47)	

**APPENDIX E(2)**

**METSIMAHOLO LOCAL MUNICIPALITY  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	2007 Under Construction	2007 Total Additions	2007 Budget	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
<u>Community Assets</u>							
Parks	143 940		143 940	100 000	43 940	44	<b>3*</b>
Libraries			-	-	-	-	
Stadiums			-	1 200 000	(1 200 000)	(100)	<b>3*</b>
Halls	-		-	180 000	(180 000)	(100)	<b>3*</b>
Theatre			-		-		
Swimming Pools	-		-	80 000	(80 000)	(100)	<b>3*</b>
Recreation facilities	-		-	1 350 000	(1 350 000)	(100)	<b>3*</b>
Cemeteries			-	550 000	(550 000)	(100)	<b>7*</b>
	143 940	-	143 940	3 460 000	(3 316 060)	(96)	
<u>Heritage</u>							
Paintings				-	-		
	-	-	-	-	-		
<u>Other Assets</u>							
Landfill Sites			-				
Furniture	52 672		52 672	465 730	(413 058)	(89)	<b>8*</b>
Office equipment	20 050		20 050	-	20 050	100	<b>8*</b>
Emergency equipment	-		-	-	-	-	
Motor vehicles	3 166 521		3 166 521	57 000	3 109 521	5 455	<b>8*</b>
Fire Engines	-		-	-	-	-	<b>8*</b>
Refuse Trucks	-		-	-	-	-	<b>8*</b>
Computer equipment	218 205		218 205	973 400	(755 195)	100	<b>8*</b>
Councillor's Regalia			-		-		
Other Assets	216 174		216 174	17 880 600	(17 664 426)	(99)	<b>8*</b>

**APPENDIX E(2)**

**METSIMAHOLO LOCAL MUNICIPALITY  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007**

2007 Actual	2007 Under Construction	2007 Total Additions	2007 Budget	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
3 673 622	-	<u>3 673 622</u>	19 376 730	<u>(15 703 108)</u>	<u>(81)</u>	

**APPENDIX E(2)**

**METSIMAHOLO LOCAL MUNICIPALITY  
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2007**

	2007 Actual	2007 Under Construction	2007 Total Additions	2007 Budget	2007 Variance (R)	2007 Variance (%)	Explanation of Significant Variances greater than 5% versus Budget
<u>Housing</u>							
Hostels	-		-	12 570 900	(12 570 900)	(100)	<b>14*</b>
Housing Rental	-		-		-	-	<b>14*</b>
	-	-	-	12 570 900	(12 570 900)	(100)	
<u>Investment Properties</u>							
Investment Properties			-		-		
	-	-	-	-	-		
<b>Total</b>	<b>32 674 155</b>	<b>-</b>	<b>32 674 155</b>	<b>100 087 410</b>	<b>(67 413 255)</b>	<b>(67)</b>	

## METSIMAHOLO LOCAL MUNICIPALITY

### Attachment 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 detail.
- 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.

## METSIMAHOLO LOCAL MUNICIPALITY

- 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 spend ).  
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 Attachment E(2).

## METSIMAHOLO LOCAL MUNICIPALITY

### Attachment 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.





**PPENDIX F**

Reason for non-compliance