



TSWELOPELE
LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

DRAFT ANNUAL REPORT

2008/09

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TSWELOPELE LOCAL MUNICIPALITY**1. GENERAL INFORMATION**

Country of incorporation and domicile	South Africa
Nature of operations and principal activities	Providing municipal services and maintain the best interests of the local community mainly in the Tswelopele area.
Legal form	An organ of state within the local sphere of government exercising legislative and executive authority.
Jurisdiction of entity	Area FS183, as a local municipality, as demarcated by the Demarcation Board and indicated in the demarcation map published for FS183.
Grading of the Municipality	Medium Capacity
Mayor	K R Phukuntsi
Councillors and their portfolios	<p><u>Speaker:</u> S D Phara</p> <p><u>Members of Executive Committee:</u> T E Tjabane C Horn</p> <p><u>Chief Whip:</u> K D Motshabi</p> <p><u>Councillors of the Council:</u> M S Bonokwane L R Coetzer D E Liphooko T A Matlakala F T Matsholo N E Mphirime M J Ngexe M M Snyer M J Taljaard</p>
Registered address	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670

GENERAL INFORMATION (continues)

Telephone Numbers	051 853 1111
Facsimile	051 853 1332
Bankers	ABSA Bank
Auditors	The Auditor-General: Free State
Municipal Manager	K J Motlhale
Chief Operations Officer	P W De Bruin
Chief Financial Officer	J W Young
Executive Manager Corporate Services	S S Rabanye
Executive Manager Community Services	M J Mahlanyane
Relevant Legislation	The Constitution of the Republic of South Africa. The Municipal Structures Act, No.117 of 1998 The Municipal Systems Act, No. 32 of 2000 The Municipal Finance Management Act, No. 56 of 2003 The Municipal Property Rates Act, No. 6 of 2004 The Basic Conditions of the Employment Act 75 Of 1997 The VAT Act 89 of 1991 The Skills Development Act 9 of 1999 The Water Services Act 108 of 1997 The Housing Act 107 of 1997

Mission of the Municipality

Tswelopele Local Municipality is committed to effective and transparent governance by:

- ❖ Promoting economic development
- ❖ Providing sustainable services and
- ❖ Improving the quality of life of all people.

Vision of the Municipality

To be an accountable, transparent, non-racial Municipality that promotes economic development and provides sustainable services and improves the quality of life in the Community.

Values

- ❖ Democratic values
- ❖ Good governance
- ❖ Transparency
- ❖ Honesty
- ❖ Equity
- ❖ Commitment
- ❖ Accountability
- ❖ Professionalism

CHAPTER 1: INTRODUCTION AND OVERVIEW**3****2. Mayor's Foreword**

The report we are presenting here is an account for our commitment to serve the people of Tswelopele and to deliver the mandate we received from the electorate during the last local government election. This report, the penultimate report before the next municipal election comes immediately after the fourth successful democratic general elections demonstrating the maturity of our democracy.

The period under review has been a test of character for municipalities, public representatives, public servants and communities alike. The fashionable service delivery protests, xenophobic attacks, spiraling prices of communities like electricity and food, load shedding, interest rate hikes and abating poverty were serious socio economic challenges that we had to deal with. Our country had to grapple with serious 'bite' of the recession that threw us off balance. Tswelopele and its people could not escape devastation of the economic situation.

These problems notwithstanding, Tswelopele Local Municipality and its people continued to demonstrate spirited resilience and forged ahead in its journey of continuous improvement. Where there were problems we managed to solve them through cooperation, determination and willingness to create a better place for the people of Tswelopele Local Municipality. Our work has been guided by the values we accepted both as public representatives and public servants. These values include professionalism, accountability, responsiveness, ethics and performance in delivery of service to our communities.

These values have yielded fruits in the recent and distant past with this municipality receiving recognition in the work we do. These include;

- ✓ Unqualified audit reports for three consecutive year
- ✓ Awarded ambassadorship for clean audit and clean city
- ✓ Cleanest Municipal Awards in the Free State for three consecutive years
- ✓ Award for institutional arrangement
- ✓ Recognition for effective Financial Management
- ✓ Good governance and public participation
- ✓ Vuna Awards in the Free State
- ✓ The second cleanest local municipality in South Africa with a price money of R 750 000

As public servants we have made it our business to know that what works for the people, the service intended for and how we can learn from others in order to achieve better results all the time. To this end we were able among others to;

- ✓ identify and replace poor practice
- ✓ bring performance of poor performance closer to that of the best
- ✓ avoid reinventing wheel
- ✓ minimize rework caused by using poor methods
- ✓ save costs through better productivity and efficiencies
- ✓ combat dysfunctionality, i.e. deadlines not met, complains from customers
- ✓ Improve service delivery

Based on the above initiatives and commitment to service delivery there is a sense that individually and collectively, the people we serve believe that to live in Tswelopele Local Municipality is a better place than it was fifteen years ago. I personally look back with a deep sense of fulfillment on what we achieved as a society during this period.

Our dedication and promise is to work more intensely in the fight against crime, and corruption remains at the centre of everything we do. This is a mandate we cannot abandon.

We remain committed to a comprehensive and integrated budget and development planning process which ensures that life continues to improve in Tswelopele Local Municipality. Local government is still judged by its ability to deliver services, promote socio-economic development, deepen democracy and govern effectively. What we represent in this report is a shining example of how inputs derived from IDP, combined with commitment to the delivery of service with the emphasis on addressing the backlogs in deprived areas can result in access to better life for all

We hope and trust that this report will serve as yet another evidence of our commitment to participatory democracy and renewed pledge to reconstruct and develop the lives of poor masses we are expected to serve.

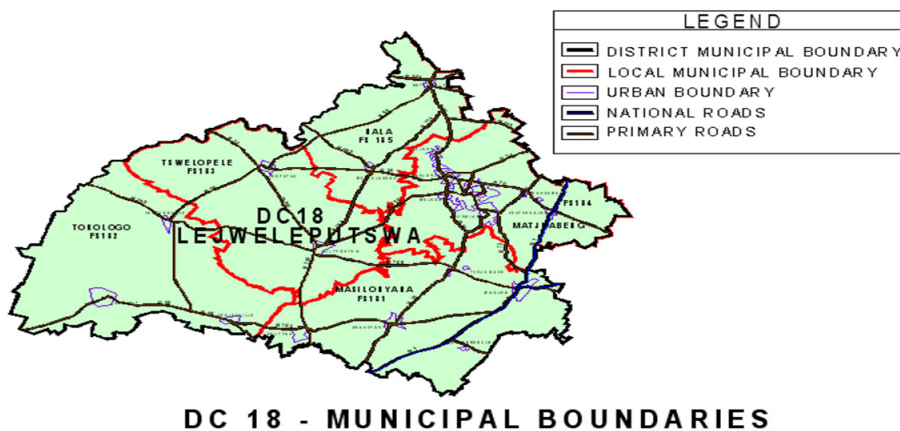
KR Phukuntsi
MAYOR

Date: 28/January/2010

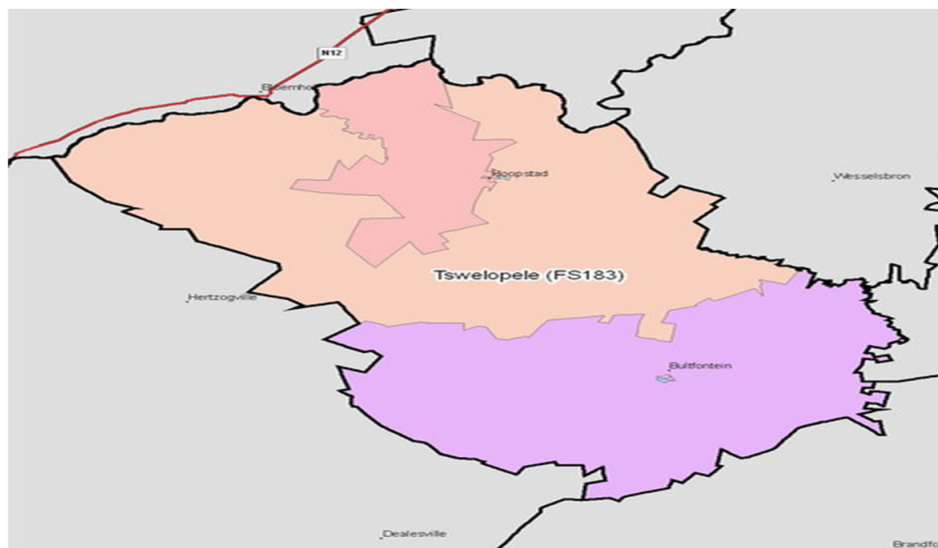
3. GENERAL OVERVIEW OF THE MUNICIPALITY

3.1. DEMOGRAPHIC PROFILE

Tswelopele Local Municipality came into being on 6 December 2000, as a result of the amalgamation of the towns of Hoopstad/Tikwana and Bultfontein/Phahameng and the incorporation of the rural areas as demarcated by the Municipal Demarcation Board. The municipality has 7 (seven) wards. The municipality has 14 (fourteen) councillors. Ward councillors play a central role in the communication process between the Communities they represent and the Council, reporting back regularly through ward Meetings and assisting the community in identifying needs and priority areas of development which feeds into the municipality's planning processes. The municipality falls under the Lejweleputswa district municipality as seen in the below figure. The map of the Municipality:

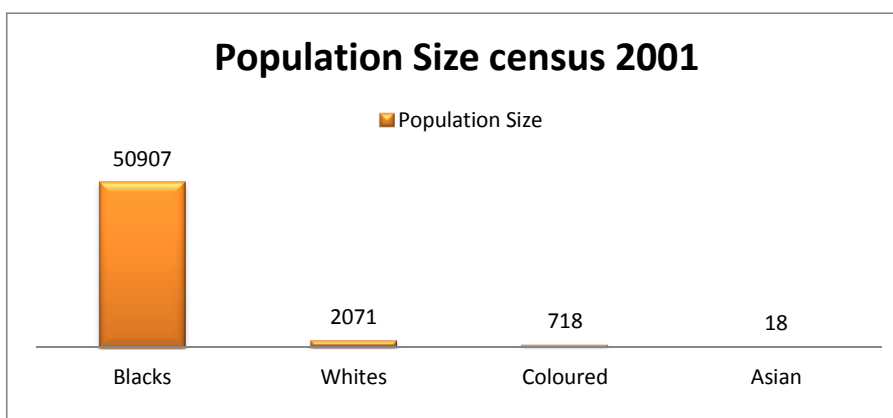


Map of the Municipality



The municipal area is 6523, 40 km² in extent. The total population amounted to 53,714 persons in 2001 (<http://www.demarcation.org.za/municprofileonline>) of which 52% were female and 48% were male. There are 12 430 households within the Municipality. Two settlement types dominate the Municipality, namely urban-type settlements such as Bultfontein, Phahameng, Hoopstad and Tikwana and non-urban settlements. Non-urban type settlements may be classified into two distinct settlement types, namely commercial farming areas and communally-owned land. The Municipality does not provide basic municipal services to people living in commercial farming areas, unless they can access those services at their own cost, such as library services and building control. The total population were organised as 12,430 households. The racial composition of the local population was as follows in 2001 –

- African: 50,907 persons (94.7%);
- Coloured: 718 persons (1.3%);
- Asian/Indian: 18 (0.03%) persons;
- White: 2,071 persons (3.87%).



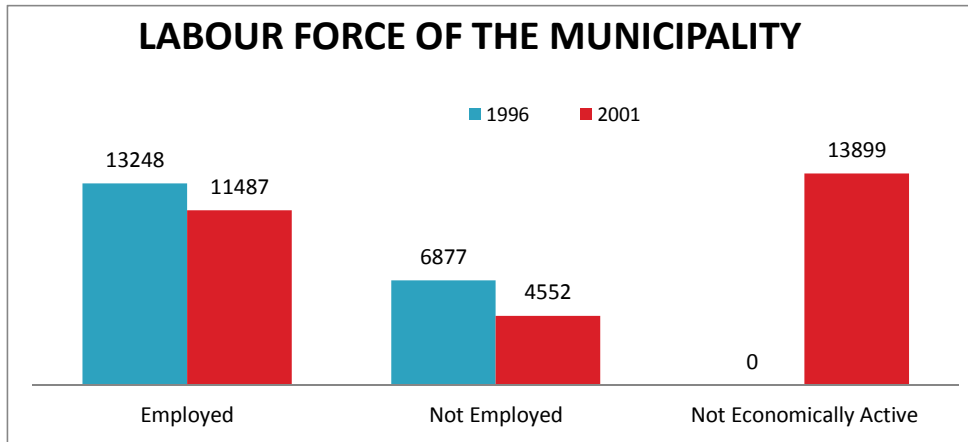
3.2. POPULATION

A steady increase in the African population group has taken place since 1996. The white population have however decreased over the same period. Currently 94% of the population is African and 1, 34% coloured. The Asian/Indian population reflects less than 1% of the total population. The white population is currently 4% of the population.

3.3 LABOUR FORCE

Unemployment in Tswelopele increased quite dramatically from 1996 to 2001.

In 1996 ± 13,000 economically active persons were employed. In 2001 that figure declined to ± 11,000.



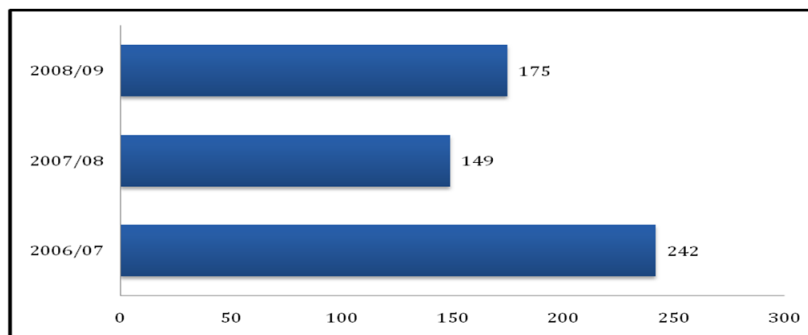
3.4 MONTHLY INDIVIDUAL INCOME

The individual income of people in Tswelopele has also decreased from 1996 to 2001. In the category R401 – R800 some 2933 individuals lost their income. Some (2491) of them found employment in the category R1 – R400. This increases the poverty in the area and will make it difficult for the municipality to recover its rates and taxes. The category R801 - R1600, increased with 55 individuals, while in the category R3201 – R 6400 the number of individuals within that parameter decreased with 439. Overall the number of individuals with no income has increased with 4,174 individuals.

3.5 DELEGATION OF POWERS

Section 63 of the Municipal Systems Act, Act 32 of 2000 requires a political structure, political office bearer, councillor or staff member of a municipality to whom a delegating authority has delegated or sub-delegated a power or duty, must report to the delegating authority at such intervals as the delegating authority may require, on decisions taken in terms of that delegated or sub- delegated power or duty since the last report.

The following number of reports was submitted to council and Exco.



4. EXECUTIVE SUMMARY

The vision of the Municipality is:

To be an accountable, transparent, non-racial Municipality that promotes economic development and provides sustainable services and improves the quality of life in the Community.

With this vision in mind, two important factors must be borne in mind, i.e. firstly, in the realization that we cannot succeed single-handedly in our quest to address poverty, we recognise that development must happen in a spirit of co-operation and participation with all stakeholders.

Secondly, in realising our limitations in the sphere of development and to provide in all needs, Tswelopele Local Municipality must focus on creating the conditions conducive to facilitating opportunities for appropriate development.

Bearing the above in mind the TLM wants the community to take hands with it as equal partner. Our values are set out below:

- ✓ Foster people's development by being orientated towards and responsive to the people's needs;
- ✓ Develop a culture of participatory governance and contribute to building the capacity for such participation;
- ✓ To exercise the rights and duties within the financial and administrative capacity of the municipality
- ✓ To exercise rights and duties in a transparent and accountable fashion
- ✓ To maintain an effective and efficient administration.

Section 26(f) of the MSA requires that the IDP must include the key performance indicators and performance targets set in terms of section 41 of the Act. Section 41(1)(a) of the MSA identifies key performance indicators (KPIs) and performance targets as key components of the Municipality's performance management system. KPIs and performance targets must be set for the development priorities and objectives contained in the IDP. For each of the development issues and objectives in the IDP the Council must set input indicators (i.e. indicators that measure the costs, resources and time used to produce an output), output indicators (i.e. indicators that measure the results of activities, processes and strategies of a programme of the Municipality) and outcome indicators (i.e. indicators that measure the quality and/or impact of an output on achieving a particular objective).

The performance of the municipality against the set key performance indicators for the financial year under review is discussed below

CHAPTER 2: PERFORMANCE HIGHLIGHTS**1. MUNICIPAL PERFORMANCE**

The table below sets out the basic information (baselines) against which the Municipality's performance during the reporting period must be measured:

Service	Service Level	Measurement Unit	Achieved 30/06/09
Water	Total no. of household	10306	
	No. access to municipal/piped water	Household	0
	Communal water works: Standpipe		
	within 200m	Households	0
	Communal waterworks: Water tank	Households	0
	Rain water tank in yard	Households	0
	Standpipe in yard unmetered	Households	3512
	Standpipe in yard metered	Households	5500
	In dwelling, unmetered	Households	0
	In dwelling metered	Households	1294
Sanitaion	No. access to munumun level of Sanitaion	Households	0
	VIP		
Electricity	No. of Households in license area		1294
	No. access to minimum level of electr	Households	0
Solids Waste	No. access to minimum level of solid Waste		
	services	Households	0
Roads and storm water	No. Access to roads/streets	Households	0

2. GENERAL KEY PERFORMANCE INDICATORS

The Municipal Planning and Performance Management Regulations (2001) in terms of the MSA sets the requirements for performance management out in detail. The Regulations also contain general KPIs which all municipalities must apply. The Municipality's performance against these general KPIs is discussed in this Chapter.

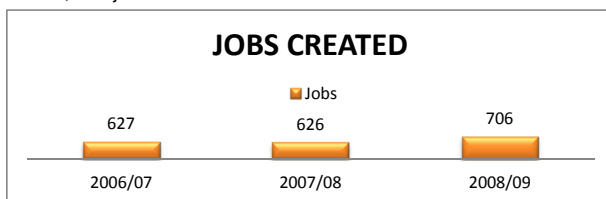
2.1.NATIONAL KPA: SERVICE DELIVERY

The following key performance indicators were measured:

KEY PERFORMANCE INDICATOR	2008/09
The % of households with access to basic level of water	100%
The % of households with access to basic level of sanitaion	100%
The % of households with access to basic lecel of Electricity	100%
The % of households with access to basic level of Solid removal	100%
The % of households earning less than R 1100 per month with access to basic services	100%
The % of a municipality's capital budget spent on capital projects in 2008/09	100%

2.2.NATIONAL KPA: LOCAL ECONOMIC DEVELOPMENT

The number of jobs created through municipality's local economic development initiatives including capital projects financial year with 80 jobs increased during the 2008/09. Creation of temporary employment opportunities brings temporary relief for unemployed people and persons with limited skills; as such employment usually is project-based and stops as soon as the rel project is complete. Numbers of Jobs created in 2006/07 were 627, 2007/08 were 626 and in 2008/09, 706 jobs were created.

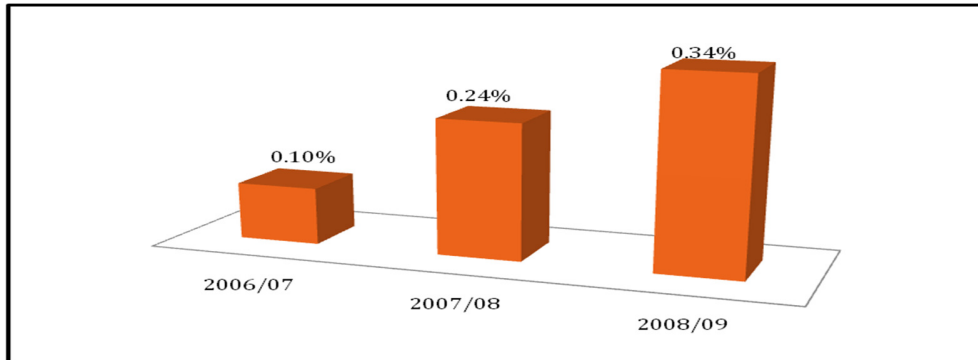


The number of people from employment equity target groups employed in the three highest levels of Municipality's management in compliance with the approved employment equity plan

The three highest management levels in the Municipality consist of 6 positions. Currently 66% of the employees management is from employed in the three highest levels of the designated groups.

The percentage of a Municipality's budget actually spent on implementing its workplace skills plan

The Municipality spent 0.34% of the budget on the implementation of the workplace skills plan



The municipality have succeeded in increasing the spending on skills development every year since the 2006/07 financial committed to continually year. Whilst the Municipality is improving its employees' skills, knowledge and expertise, there are a number of reasons for the relatively low investment in employee skills development, namely –

- ✓ Municipality simply does not have the cash for employees to participate in learning opportunities and afterwards expenses incurred; to claim reimbursement for the
- ✓ Employees can often not be released from work for extended periods of time to participate in off-site learning events;
- ✓ Training offerings are still menu-driven. Some employees require enhancement of skills in areas for which suitable training offerings simply does not exist; and
- ✓ Some training offerings are of doubtful value.
- ✓ Management and the unions will have to determine a solution to ensure employees are trained to provide a pool of suitably qualified employees.

2.3.NATIONAL KPA: FINANCIAL VIABILITY

2.3.1. Debt Coverage Ratio:

The debt coverage ratio indicates the Municipality's ability to generate sufficient revenues to pay interest and redemption (i.e. debt service/finance charges) on loans (long term debt). A low debt coverage ratio (i.e. < 1) indicates that the Municipality might encounter difficulties meeting debt service/finance charge obligations from own operating revenue. A high ratio (i.e. > 1) indicates relatively low expenses and a good financial position.

The ratio for the municipality is -10.40.

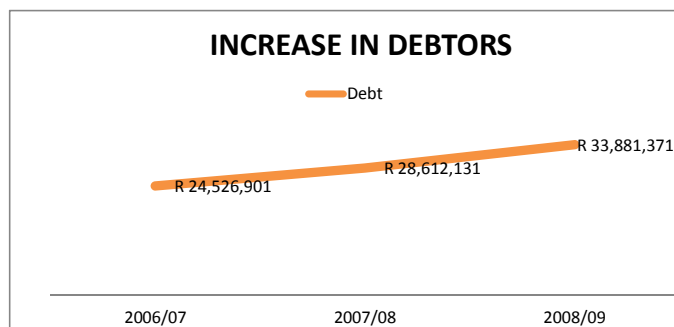
Debt coverage ratio=Total revenue received-Operating grants÷Debt service payments

2.3.2. Outstanding service debtors to revenue ratio

The outstanding service debtors to revenue ratio indicates the average number of days As general guideline debtors older than 90 - 120 days is deemed to be irrecoverable On 30 June 2009 R 33 881 371 (91.35%) of the Municipality's debtors were older than 60 days. The municipality slightly decreased the % of debtors outstanding older than 60 days from the previous financial year as can be seen below.

Debtors	2006/07	2007/08	2008/09
Rand Value of Debtors outstanding for less than 30 days	R 1 703 653	R 1 813 967	R 1 683 443
Rand value of debtors outstanding for less than 60 days	R 840 917	R 791 569	R 1 526 744
% of debtors older than 60 days	93%	91.65%	91.35%
Amount outstanding for more than 60 days	R 24 526 901	R 28 612 131	R 33 881 371

However it is a concern that the municipality's debt outstanding for less than 60 days has increased with 51.85% from the previous financial year. The Municipality will have to introduce and enforce stricter credit control and debt collection measures to ensure the financial viability of the Municipality. There is also a steady increase in the debt outstanding for more than 60 days every year. This is a 27.61% increase in the debt outstanding for more than 60 days. The increase is reflected in the graph below.



2.3.3. Cost coverage ratio:

The cost coverage ratio indicates the cash flow situation of the Municipality, i.e. whether it has the cash available to cover its expenses during a specified period. If the result of the equation is > 1 it means that the Municipality has sufficient cash to cover one month's expenses. If it is <1, the Municipality cannot cover a month's expenses, which means that it will not be able to meet its commitments. Ideally the ratio should be 3 or > 3, i.e. the Municipality should have sufficient cash to cover three month's expenses. Cost coverage is determined by using the following formula:

Cost coverage =All available cash+Investments÷Monthly fixed operating expenditure

The ratio for the municipality is 0.9.

2.3.4. Liquidity ratio:

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Liquidity is an indicator that indicates whether the Municipality will be able to meet its short term obligations and is expressed by the following formula. If the result of the equation is 1 or more, the Municipality would be able to meet its short term obligations:

LIQUIDITY = Current assets ÷ Current liabilities Currently the municipality's ratio is 0.84

This ratio is down from the 2007/08 ratio that was 0.96. On the short term the municipality will not be able to meet its short term obligations. The municipality must strive to increase the ratio to at least 2.

2.3.5. Solvency ratio:

Solvency ratio is an indicator that indicates whether the Municipality would be able to meet its long term obligations, obligations if it is dissolved (in the case of private enterprise if it is liquidated). Solvency is expressed by the following formula. If the result of the equation is 1 or more, the Municipality would be able to meet its long term obligations:

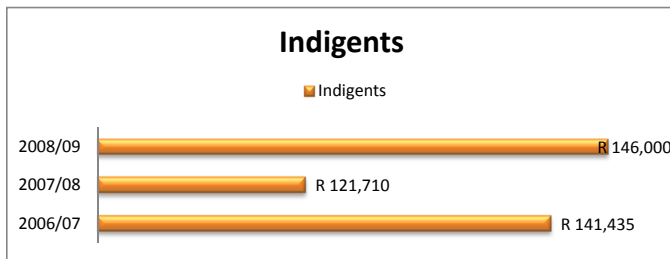
$$SOLVENCY = \text{Non-current assets} \div \text{Long term liabilities}$$

Currently the municipality's ratio is 12.24.

3. COMMUNITY SERVICES

3.1. Indigent Burials

157 applications (27 more applications from the previous financial year) for assistance to bury indigent persons were received and processed during the year. Expenditure on indigent burials increased with R 24 290 from the previous financial year.

**3.2. Public libraries**

The Municipality managed and operated the following public libraries –

- ✓ Hoopstad Public Library
- ✓ Bultfontein Public Library
- ✓ Tikwana Public Library

The public library in Phahameng is currently being renovated and will open during the 2009/10 financial year.

3.3. Traffic Services

The traffic law enforcement during the 2008/09 financial year decreased significantly. The number of fines issued for traffic violations decreased from 19 777 during the 2007/08 financial year to 12 765 for the year under review. Limited information was available for performance measurement in this section.

3.4. Fires, Disaster Management and Building Control

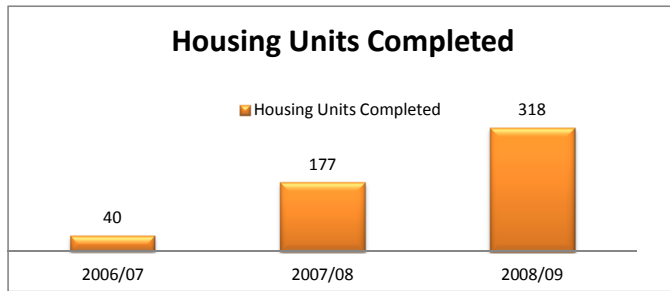
The municipality attended to 8 veld fires during the 2008/09 financial year and 4 fires in residential areas. The number of building plans approved is reflected below.

Key performance indicator	2007/08	2008/09
Number of building plans approved	334	736
Number of building plans rejected	0	0

3.5. Housing

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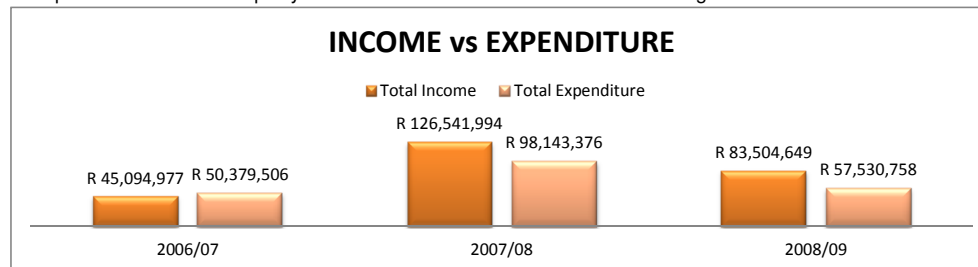
The municipality completed 318 new houses during the year under review. The municipality succeeded to increase housing service delivery significantly from the previous financial years.



4. FINANCIAL SERVICES

4.1. Expenditure

The expenditure of the municipality versus the income received is shown in the figure below



2007/08 Financial statements figures were restated because of the implementation of Generally Accepted Accounting Practice (GRAP).

In the 2006/07 financial year the municipality's expenditure on salaries and wages were 43% of the actual income received. The expenditure on salaries and wages against the actual income decreased to 31% for the 2008/09 financial year. Expenditure on maintenance decreased from 9.17% in the 2006/07 financial year to 5.14% in the 2008/09 financial year. Expenditure on general expenses increased from 30.59% to 41.09% from 2006/07 to the year under review. A summary of the expenditure against the actual income received is reflected in the table below.

	2006/07	2007/08	2008/09
Expenditure on salaries and wages	43.06%	31.22%	31.06%
Expenditure on maintenance	9.17%	5.81%	5.14%
Expenditure on general expenses	30.59%	42.59%	41.09%
Expenditure on capital projects	39.85%	106.51%	34.78%

4.2. Debt Age Analysis

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Currently 91% of the municipality's debt is overdue for more than 60 days. Debt overdue for less than 30 days is 4.54% and debt overdue for more than 30 days but less than 60 days 4.12%. Debt overdue for more than 60 days increased during the financial year. The municipality will implement strict credit control measures to prevent the escalation of debt outstanding. The table below reflects the current debt age analysis against that of the

previous financial years.

	2006/07	2007/08	2008/09
R value of debtors outstanding for less than 30 days	R 1,703,653	R 1,813,967	R 1,683,443
R value of debtors outstanding for less than 60 days	R 840,917	R 791,569	R 1,526,744
Total debtors outstanding	R 27,071,471	R 31,217,667	R 37,091,558

4.3. Queries received regarding accounts

The number of queries received is very low in comparison to the total number of accounts sent out. The queries received versus the total accounts sent out are reflected in the table below.

	2006/07	2007/08	2008/09
No. of Accounts sent out	111180	126000	127200
No. of queries received regarding accounts	84	120	130

4.4. No of MFMA section 71 submitted to the mayor within 10 days after the end of the month.

Twelve budget statements were submitted to the Mayor within the timeframe required by section 71 of the Local Government: Municipal Finance Management Act 2003, No 56 of 2003.

4.5. Income

The municipality's income increased from R 45 094 977 in the 2006/07 financial year to R75 399 512 in 2008/09, before the restated figure to accommodate the implementation of GRAP. However the municipality's levied income increased from R21 472 846 to R24 315 932 therefore the municipality only managed to increase its own income with R 2 843 086 during the three financial years. The main increase in income is directly attributable to an increase in the equitable share received by the municipality.

	2006/07	2007/08	2008/09
Total Actual Income	R 45 094 977	R 66 310 086	R 83 504 649
Rand value of (Levied) income	R 21 472 846	R 21 871 044	R 24 315 932

The above means that only 32% of the municipality's income is from own sources. The municipality's dependency on grants has increased with 15% from 2006/07 to the current year.

5. TECHNICAL SERVICES

5.1. Water

Water losses decreased from 8.5% in the 2007/08 financial year to 6.24% in the year under review. This performance is directly the result of increased expenditure on maintenance. The expenditure on maintenance increased from R 281 139 in 2007/08 to R 478 266 in 2008/09. The municipality conducted water quality tests 12 and all the tests complied with the national standards.

5.2. Sanitation

During the 2006/07 financial year the municipality upgraded the equipment for maintenance of the sanitation network. The municipality also trained 1060 community members in Hoopstad and 2260 community members in Bultfontein regarding health and hygiene. The mainline blockages decreased for 2007/08 but showed a slight increase for 2008/09. The municipality must ensure that the system is maintained regularly to prevent a further increase in mainline blockages.

The time taken to respond to resolve mainline blockages remained between 2 to 6 hours.

5.3. Water and Sanitation Projects

The following water and sanitation projects were completed during the 2008/09 financial year.

Amount	Funder	Description
1371022	MIG	Sewerage Network
5847905	MIG	Water Network Bultfontein
3599073	MIG	Water Network Hoopstad
3000000	MIG	Upgrading of Sewerage Treatment Plant (Tikwana)
500000	MIG	PMU Costs

5.4. Electricity

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The municipality succeeded in reducing the electricity losses from 7.8% during 2007/08 to 5.7% in the 2008/08 financial year. The municipality also succeeded in reducing maintenance with R 280 000 from the previous financial year. Power failures did not significantly increase from the previous financial year. The municipality had 7 power failures in the year under review and 6 in the previous financial year. Power failures were resolved within 1 to 2 hours after the power failure have been reported.

5.5. Transport and Fleet Management

The number of vehicles involved in accidents decreased from the previous financial year as can be seen in the table below. The repair cost to vehicles involved in accidents had a similar decrease in expenditure.

Key Performance Indicator	39295	39692
Number of accidents involving municipal vehicles	6	1
Repair cost of vehicles damaged due to accidents	R 56 936.99	R 4 130.84

The municipality only bought one (1) new vehicle to the value of R 163 636.09.

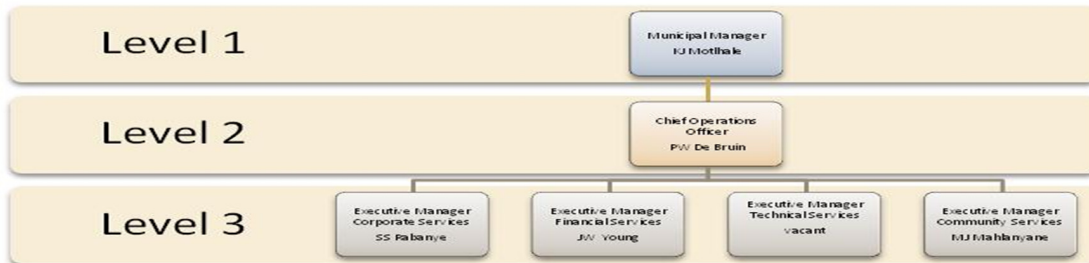
6. CORPORATE SERVICES

16

1. General Information

The municipality's structure consists of the following four basic organizational units:

The administration is conducted on a decentralized basis with a local unit in each of the two towns within the TLM, with the administrative headquarters in Bultfontein. The administrative headquarters are responsible for the higher order strategic and staff functions whilst local units are responsible for the day-to-day routine functions of the Municipality.



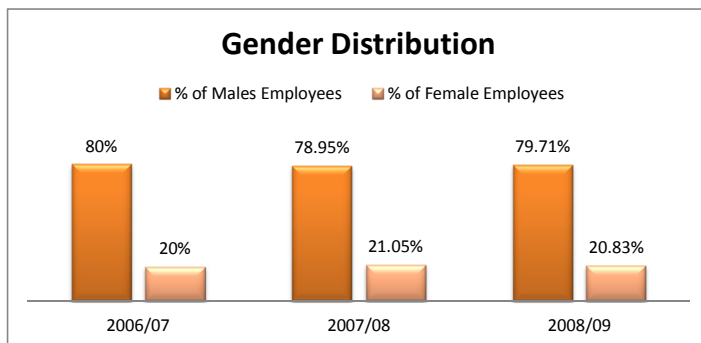
The following table sets out key performance and key performance areas of each of the municipality's five basic organisational units:

Department	Purpose	Key Performance Area
Municipal Manager and Chief Operations Officer	To provide strategic guidance and leadership to the Municipality and information and communication services	<ul style="list-style-type: none"> ✓ Manages the preparation and review of the integrated development plan and other corporate strategic plans ✓ Manages the preparation and review of the corporate performance management system and regularly monitor and review corporate level performance ✓ Co-ordinate internal auditing ✓ Manages the LED strategy of the municipality ✓ Manage customer satisfaction in the municipality
Financial Service	To provide corporate financial management and accounting services	<ul style="list-style-type: none"> ✓ Manage revenue collection ✓ Manage municipal expenditure ✓ Ensure effective and efficient financial planning ✓ Supply chain management ✓ Render management information serv
Corporate Services	To provide corporate administrative and human resources management services	<ul style="list-style-type: none"> ✓ Render sundry corporate administrative services, including records management services and secretariat services ✓ Render corporate legal support services ✓ Render corporate human resource management services ✓ Render library services ✓ Provide support services to the office of the Speaker/Mayor
Community Services	To ensure proper planning and social services are provided and implementation of community development projects	<ul style="list-style-type: none"> ✓ Manage integrated development planning processes ✓ Render social development services ✓ Render town planning, housing administration and land development services ✓ Provide community development services ✓ Provide public safety and security services

Department	Purpose	Key Performance Area
Technical Services	To ensure effective maintenance of the Municipality's assets and execution of construction projects	<ul style="list-style-type: none"> ✓ Render cleansing and solid waste management services ✓ Provide affordable electricity ✓ Construct and maintain civil engineering support services related to water, sanitation, roads, storm water and municipal buildings and structures ✓ Render corporate fleet management service ✓ Maintenance of council buildings ✓ Manage parks and cemeteries

6.2. Percentage of Male and Female Employees within the Municipality

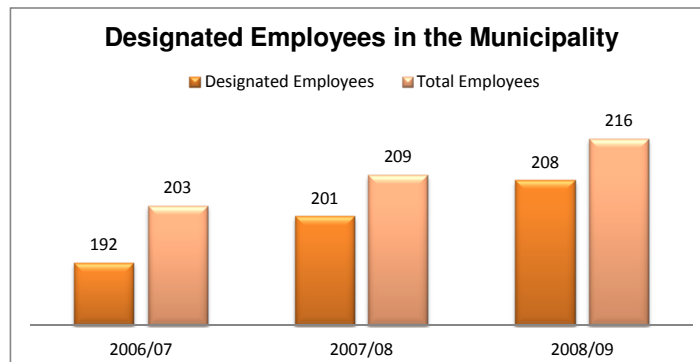
The demographic profile of the free state province reflects a distribution of 51% females and 49 % males. Currently there municipality's gender distribution does not reflect that of the province. The Municipality will have to address the gender imbalance in the municipality by increasing female representation in the workforce.



The municipality is trying to correct the imbalance between males and females employees.

6.3. Designated employees in the municipality

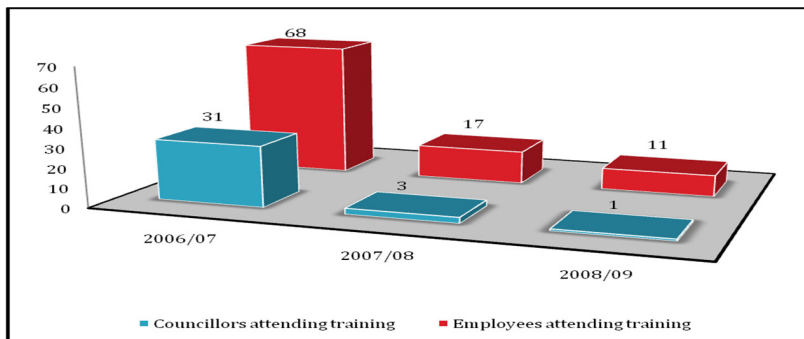
Designated employees (African, Indian, Coloured, Females and Disabled persons) currently make out 96.30% of the workforce. The designated employees within the municipality increased from 94% in 2006/07 to the current level of 96.30%. The municipality has succeeded with the overall transformation of the municipality with regard to race. However greater effort must be made with gender transformation in management levels as well as the appointment of disabled persons in the workforce. In the last employment equity reporting cycle the municipality did not employ any disabled persons. The municipality will have to implement a recruitment drive to recruit employees from the disabled community within the municipal area.



6.4. Skills Development

18

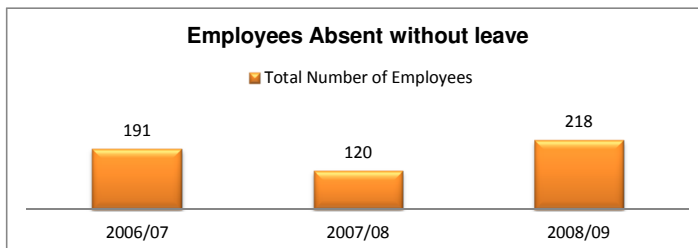
The following number of employees and councillors were trained during the year under review:



The number of people attending training and skills development courses dropped significantly from the previous two financial years. The reason for this is due to financial difficulties faced by the Municipality. The municipality simply do not have funds available to spend on training and skills development courses. This consequently have a negative effect on service delivery because the skills deficit cannot be addressed.

6.5. Effective people management

The number of employees absent without reason increased from the 2007/08 financial year as can be seen below.



The municipality will have to enforce discipline to reduce the number of employees absent without a valid reason. This conduct has a negative impact on service delivery and should not be tolerated by the employer. The number of man days lost due to absence without a valid reason increased as can be seen below.

	2006/07	2007/08	2008/09
No. of man days lost due to absence without reason	321	273	326

The municipality also experiences a high absenteeism rate due to sick leave. The number of employees absent with sick leave is unacceptable. Although there was a decrease of 415 man days that were lost from the 2007/08 financial year there were an increase in the incidents of sick leave (15) in the year under review.

CHAPTER 3: FINANCIAL MATTERS**1. AG REPORT ON THE ANNUAL FINANCIAL STATEMENTS****REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF TSWELOPELE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009****REPORT ON THE FINANCIAL STATEMENTS****Introduction**

1. I have audited the accompanying financial statements of the Tswelopele Local Municipality which comprise the statement of financial position as at 30 June 2009, statement of financial performance, the statement of changes in net assets/equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages **26 to 82**.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the in accordance with the Statement of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) (Auditor-General audit circular 1 of 2007) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Tswelopele Local municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the Tswelopele Local Municipality as at 30 June 2009 and its financial performance and its cash flows for

the year then ended, in accordance with Statement of Generally Recognised Accounting Practice (Statements of GRAP) and in the manner required by the MFMA.

Emphasis of matters

Without qualifying my opinion, I draw attention to the following matters

Basis of accounting

9. The Municipality's policy is to prepare financial statements on Statement of Generally Recognised Accounting Practice (Statements of GRAP), as set out in accounting policy note 1.1 to the financial statements.

Significant uncertainties

10. Tikwana Housing Subsidy project – 2004/2005 With reference to note 21.10 to the financial statements, the Department of Local Government & Housing allocated 100 housing subsidies to Tikwana (Hoopstad). The Municipality received grant and the contractor was appointed and paid but there has been no movement since prior year financial years. The municipality is currently conducting the investigation to establish whether the grant money should be paid back to the Department.
- 11 DWAF: Tswelopele
According to note 37.1 to the financial statements, the Department of water affairs and forestry (DWAF) provided Tswelopele municipality with water until late last year (2008). DWAF did not send any accounts to the municipality and when they finally sent them, the accounts were incorrect. At year end the matter had not yet been resolved as there is currently a disagreement between Tswelopele and DWAF on the amount that the municipality owes to them. The difference between the amount municipality claims to be owing DWAF and the amount DWAF claims to be owed by the municipality is disclosed as a contingent liability.

Restatement of corresponding figures

12. As disclosed in various notes to the financial statements, the corresponding figures for the 30 June 2008 had been restated as a result of implementation of GRAP.

Other matter{s}

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Material inconsistencies in information included in the annual report/other information

13. I have not obtained the other information included in the annual report and have not been able to identify any material inconsistencies with the financial statements.

Unaudited supplementary schedules

14. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with legally adopted, in accordance with GRAP 1: Presentation of Financial Statements. The supplementary budget information set out in pages xx to xx does not form part of the financial statements and is presented as additional information. Accordingly, I do not express an opinion there on.

Non-compliance with applicable legislation

Municipal Finance Management Act

15. No evidence or audit trail that Municipality had checked the service providers on the list of service providers prohibited from doing business in the public sector on the National Treasury's database as required by regulation 14(1)(c) of GNR 868 of 30 May 2005: Municipal Supply Chain Management Regulation, issued in terms of section 111 of the MFMA. In terms of what was these regulations issued e.g MFMA then this should be non-compliance with the MFMA.

Municipal Systems Act,200 (Act No.32 of 2000)(MSA)

- 16 Tswelopele Local Municipality did not enter into performance agreements with the accounting officer and managers reporting to the accounting officer as required by section 57(1)(b) of MSA.
- 17 Municipal Councillors did not declare their financial interest annually as required by paragraph 7: schedule 1 of MSA.

Governance framework

18. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management.

Key governance responsibilities

19. The MFMA tasks the accounting officer with a number of responsibilities concerning financial, risk management and internal control. Fundamental to achieving this, is the implementation of key governance responsibilities which I have assessed as follows:

No.	Matter	Y	N
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information	X	
2.	The financial statements were not subject to any material amendments resulting from the audit		X
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report		X
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA	X	
5.	Key officials were available throughout the audit process	X	
6.	Audit Committee		
	I The municipality had an audit committee in operation throughout the financial year	X	
	I The audit committee operates in accordance with the approved, written terms of reference	X	
	I The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166 (2) of the MFMA		X
7	Internal audit		
	I The municipality had an internal audit function in operation throughout the year	X	
	I The internal audit function operates in terms of an approved internal audit plan	X	
	I The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165 (2) of the MFMA		X
8	There are no significant deficiencies in the design and implementation of the internal in respect of financial and risk management	X	
9	There are no significant deficiencies in the design and implementation of the in respect of compliance with applicable laws and regulations	X	
10.	The information systems were appropriate to facilitate the preparation of the financial statements	X	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(c)(i)/95(c)(i) of the MFMA	X	
12.	Delegation of responsibilities are in place, as set out in section 79/106 of the MFMA	X	
13.	The prior year audit findings have been substantially addressed	X	
14.	SCOPA/ oversight resolutions have been substantially implemented	X	
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete		X
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of the reported performance information		X

No.	Matter	Yes	No
17.	A strategic Plan was prepared and approved for the financial year under review for the purpose of monitoring the performance in relation to the budget and delivery by the [entity name] against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 of the MFMA [Municipalities]		X
18.	There is a functioning performance management system and performance bonuses are only paid after proper assesment and approval by those charged with governance		X

Overall reflection on the governance framework based on other key governance requirements.

20. The financial statements were subject to a number of material corrections resulting from the audit process which are attributable to the weaknesses in the design and implementation of internal controls to ensure compliance with new reporting framework. financial statements were amended with audit adjustments. Vacancies created in the inventory section were also not filled timeously, the lack of segregation of duties resulted in numerous errors not being detected and corrected.
21. The final draft of the annual report was not finalised and submitted to my office during the time of my audit as the change in management during the audit resulted in agreed upon dates not being complied with. The municipality did not report performance against pre-determined objectives to date due to systems and controls for the reporting and monitoring of performance information not being developed and implemented.
22. Audit committee function was not effective during the year under review due to the internal audit section not finalising any audits during the year under review.
23. Staff composition and turnover within the internal audit section resulted in no internal audit reports were not issued for the year under review
24. No performance bonuses were paid, as performance management system has not yet been implemented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

25. I was engaged to review the performance information.

The accounting officer's responsibility for the performance information

26. In terms of section 121(3)(c) of MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of MSA.

The Auditor-General's responsibility

27. I conducted my engagement in accordance with section 13 of the PAA read with *General* Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.
28. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
29. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings (performance information)**Non-compliance with regulatory requirements**

No reporting of performance information.

30. The annual report of Tswelopele Local Municipality did not include an assessment by the entity's accounting officer of the entity's performance against any measureable performance objectives, set in terms of the service delivery agreement as required by section(4)(d) of MFMA.

Existence and functioning of a performance audit committee

31. Tswelopele Local Municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee as required by regulation 14(2) of the Municipal Planning and Performance Management Regulations, 2001 .

Internal auditing of performance measurements

32. The internal auditor processes and procedures did not include assessments of the extent to which Tswelopele Local Municipality's performance measurements were reliable in measuring the performance of the municipality on key as well as general performance indicators

Lack of adoption or implementation of a performance management system

33. Tswelopele Local Municipality did not implement a framework that describes and represents how municipality's cycle and processes of performance planning, monitoring managed including determining the roles of different role players as required in terms of regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

APPRECIATION

34. The assistance rendered by the staff of Tswelopele Local Municipality during the audit is sincerely appreciated.

Bloemfontein

30 November 2009



2. MANAGEMENT COMMENTS

MANAGEMENT COMMENTS TO THE REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE MUNICIPAL COUNCIL AND PROVINCIAL LEGISLATURE ON THE ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF THE TSWELOPELE LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

In the AG report the AG highlighted a number of issues affecting the municipality. The management comments regarding the issues raised is set out below:

✓ Tikwana Housing Subsidy (par 10 above, AG Report)

Tswelopele do not have any movement for the year under review. As a result validity of the closing balance could not be verified. Furthermore, it could not be verified that payments are made within 30 days as per section 65(2)(e) of MFMA.

Management Comments

The Department of Local Government & Housing allocated 100 housing subsidies to Tikwana (Hoopstad). The Municipality received grant and the contractor was appointed and paid but there has been no movement since prior year financial years. The municipality is currently conducting the investigation to establish whether the grant money should be paid back to the Department.

✓ DWAF

Department of Water and Forestry vote account has opening balance which did not show any movement during the current financial year. As a result validity of the opening balance could not be verified. Furthermore, it could not be verified that payments are made within 30 days as per section 65(2)(e) of MFMA.

Management Comments

The Department of water affairs and forestry (DWAF) provided Tswelopele municipality with water until late last year (2008). DWAF did not send any accounts to the municipality and when they finally sent them, the accounts were incorrect. At year end the matter had not yet been resolved as there is currently a disagreement between Tswelopele and DWAF on the amount that the municipality owes to them. The difference between the amount municipality claims to be owing DWAF and the amount DWAF claims to be owed by the municipality is disclosed as a contingent liability.

✓ Municipal Councillors did not declare their financial interest annually as required by paragraph 7: schedule 1 of MSA

Management comments

The councilors' declaration of interest changes only when their interests' change, the register for 2008/09 financial year is the same as for 2007/08 financial year as the interests of councilors did not change

**CHAPTER 4: AUDITED FINANCIAL STATEMENTS AND RELATED
FINANCIAL INFORMATION****1. Introduction**

The annual financial statements were prepared in accordance with the applicable legislation and submitted to the office of the Auditor General (AG); Free State on the 31 August 2009. In the next pages are the Financial statements as submitted to the AG office

TSWELOPELE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2009

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	Note	2009 R	RESTATED 2008 R
ASSETS			
Current assets		14 556 039	33 166 397
Cash and cash equivalents	1	3 466 044	23 301 011
Trade and other receivables from exchange transactions	2	7 196 659	7 775 762
Other receivables	3	1 643 728	1 924 482
Inventory	4	2 249 608	165 142
Non-current assets		228 723 283	183 564 617
Investments	5	212 455	212 455
Property, plant and equipment	6	222 495 116	177 456 527
Intangible assets	7	32 327	-
Investment property carried at cost	8	5 230 035	5 230 035
Biological assets	9	753 350	665 600
Total Assets		243 279 323	216 731 014
LIABILITIES			
Current liabilities		21 858 813	39 646 955
Trade and other payables from exchange transactions	10	8 361 480	8 972 714
Consumer deposits	11	414 042	380 282
VAT Payable	12	3 654 080	133 524
Unspent conditional grants and receipts	13	8 327 894	29 241 448
Current portion of borrowings	14	405 056	524 234
Current portion of finance lease liabilities	15	696 261	394 753
Non-current liabilities		18 691 334	18 305 542
Non-current borrowings	14	13 996 121	14 231 382
Non-current finance lease liability	15	1 188 037	690 840
Non-current provisions	16	3 507 176	3 383 319
Total Liabilities		40 550 148	57 952 496
NET ASSETS		202 729 175	158 778 518
NET ASSETS		202 729 175	158 778 518
Capital Replacement Reserve		-	-
Accumulated Surplus/(Deficit)		202 729 175	158 778 518

TSWELOPELE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 R	RESTATED 2008 R
REVENUE		83 504 649	126 541 994
Property rates	17	3 207 373	3 197 059
Services charges	18	20 187 043	18 212 305
Rental of facilities and equipment	19	590 938	478 814
Interest earned - external investments	20	1 683 531	1 787 902
Interest earned - other		596 217	514 155
Fines		73 367	53 996
Licences and permits		1 380	1 575
Government grants and subsidies	21	56 697 795	101 486 079
Other income		467 004	810 109
EXPENDITURE		57 530 758	98 143 376
Employee related costs	22	21 936 271	18 483 150
Remuneration of Councillors	22	3 089 264	2 699 982
Bad debts		5 944 476	1 914 351
Depreciation and amortisation expense	24	-	-
Repairs and maintenance		4 050 496	3 851 923
Finance costs	25	2 163 234	2 127 142
Bulk purchases	26	10 404 170	8 710 564
Operating Grant Expenditure	27	2 630 659	42 007 171
General expenses	29	7 312 189	18 349 093
SURPLUS/(DEFICIT) FOR THE YEAR		25 973 891	28 398 619

Refer to Appendix D for the comparison with the approved budget

TSWELOPELE LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2009

	Pre- GAMAP/GRAP Reserves and Funds	Accumulated Surplus/(Deficit)	TOTAL
2008			
Balance at 1 July 2007	10,947,193	(5,912,409)	5,034,784
Implementation of GRAP (refer to note 31.5)	(10,947,193)	136,292,310	125,345,117
Restated balance	-	130,379,901	130,379,901
Surplus/(deficit) for the year (as previously stated)	-	2,664,066	2,664,066
Implementation of GRAP (refer to note 32.6)	-	25,734,552	25,734,552
Restated balance at 30 June 2008	-	158,778,518	158,778,518
Implementation of GRAP (refer to note 31.5)	-	17,976,765	17,976,765
Restated balance at 30 June 2008	-	176,755,284	176,755,284
Surplus/(deficit) for the year	-	25,973,891	25,973,891
Balance at 30 June 2009	-	202,729,175	202,729,175

TSWELOPELE LOCAL MUNICIPALITY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

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	Notes	2009 R	RESTATED 2008 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and others		84 083 752	126 458 257
Cash paid to suppliers and employees		(58 467 076)	(74 174 514)
Cash generated from / (required by) operating activities	30	25 616 675	52 283 743
Interest received		1 683 531	1 787 902
Interest paid		(2 163 234)	(2 127 142)
Dividends received		31 361	50 045
Net cash flows from operating activities		25 168 334	51 994 548
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(45 361 251)	(40 273 899)
Proceeds from sale of property, plant and equipment		-	-
Purchase of intangible assets		(32 327)	-
Decrease/(increase) in non-current investments		-	-
Increase in investment property		-	-
Increase in biological assets		(87 750)	(106 600)
Net cash flows from investing activities		(45 481 328)	(40 380 499)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(decrease) in borrowings		(354 439)	(322 247)
Increase/(decrease) in finance lease liability		798 706	(401 361)
Increase/(decrease) in consumer deposits		33 760	56 150
Net cash flows from financing activities		478 027	(667 458)
Net increase/(decrease) in net cash and cash equivalents		(19 834 968)	10 946 591
Cash and cash equivalents at the beginning of the year		23 301 011	12 354 420
Cash and cash equivalents at the end of the year	1	3 466 043	23 301 011

TSWELOPELE LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

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1 PRINCIPAL ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

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

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The applied Standards of GRAP emanate from Directive 5 "Determining the GRAP Reporting Framework", issued by the Accounting Standards Board.

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

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

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

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

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

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

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

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

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006

GRAP 18 Segment Reporting - issued March 2005

GRAP 23 Revenue from Non-Exchange Transactions - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

TSWELOPELE LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

31

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

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

IAS 19 Employee Benefits - effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

In terms of Directive 4: "Transitional Provisions for the Adoption of Standards of GRAP by Medium and Low Capacity Municipalities" issued by the Accounting Standards Board, the Municipality has adopted the transitional provisions for the following GRAP Standards:

GRAP 12 - Inventories;

GRAP 13 - Leases;

GRAP 16 - Investment Property;

GRAP 17 - Property, plant and equipment;

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets;

GRAP 100 - Non-current Assets Held for sale and Discontinued Operations; and

GRAP 102 - Agriculture

GRAP 102 - Intangible assets

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

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2 PROPERTY, PLANT AND EQUIPMENT (continued)

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS) (continued)

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure

Roads and Paving	15 Years
Electricity	20 Years
Water	20 Years
Sewerage	20 Years

Land and buildings

Land	Not depreciated
Buildings	30 Years

Other

Furniture and equipment	6 Years
Computer equipment	3 Years
Other assets	10 Years

Finance lease assets

Office equipment	Lease term
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The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising 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 recognised in the Statement of Financial Performance.

TSWELOPELE LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

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3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research

expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using

the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	6 Years
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The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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4 BIOLOGICAL ASSETS

4.1 INITIAL RECOGNITION

A biological asset or agricultural produce is recognised when, and only when:

- the municipality controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

4.2 SUBSEQUENT MEASUREMENT

Biological assets are measured at their fair value less estimated point-of-sale costs.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in profit or loss for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate is used to determine fair value.

An unconditional government grant related to a biological asset measured at its fair value less estimated point-of-sale costs is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value. The annual depreciation rates are based on the following estimated average asset lives:

5 INVENTORIES

5.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

5.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

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6 FINANCIAL INSTRUMENTS

6.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

6.2 SUBSEQUENT MEASUREMENT

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

6.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. 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.

6.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

6.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, 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, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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6 FINANCIAL INSTRUMENTS

6.2 SUBSEQUENT MEASUREMENT (continued)

6.2.4 CASH AND CASH EQUIVALENTS (continued)

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

6.2.5 AVAILABLE FOR SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or do not meet the classification criteria of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after financial year end.

Available-for-sale financial assets are subsequently carried at fair value, or carried at cost if fair value cannot be determined reliably (e.g. no active market or lack of reliable fair values). Changes in the fair value of monetary and nonmonetary securities classified as available-for-sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised

in equity are included in the income statement as 'gains and losses from investment securities'.

6.2.6 UNSPENT CONDITIONAL GRANTS

Unspent conditional are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the general public.

7 UNAUTHORISED EXPENDITURE

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

8 IRREGULAR EXPENDITURE

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

9 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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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

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10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

11 LEASES

11.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

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11 LEASES (continued)

11.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

12 REVENUE

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

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

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

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

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

Interest revenue is recognised on a time proportion basis.

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

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

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

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

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12 REVENUE

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

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

12.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue when the asset is recognised.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Insert defined contribution plan information here

Insert defined benefit plan information here.

TSWELOPELE LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 30 JUNE 2009

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15 IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand	(101,147)	77,920
Balance as per cash book	(3,101,147)	77,920
Less uncleared deposits: MIG Grant Received	3,000,000	-
Cash at bank	1,468,204	223,743
Money market fund	2,098,987	22,991,469
Savings account	-	7,879
	3,466,044	23,301,011
The Municipality has the following bank accounts: -		
<u>Current Account (Primary Bank Account)</u>		
ABSA Bank Limited - Bultfontein Branch		
Account Number 810142227		
Cash book balance at beginning of year	223,743	(2,228,483)
Cash book balance at end of year	1,468,204	223,743
Bank statement balance at beginning of year	1,903,730	372,118
Bank statement balance at end of year	5,798,274	1,903,730
<u>Money market fund</u>		
ABSA Bank Limited - Bultfontein branch		
Account number 9108352550		
Cash book balance at beginning of year	22,991,469	12,343,926
Cash book balance at end of year	2,098,987	22,991,469
Bank statement balance at beginning of year	22,991,469	12,343,926
Bank statement balance at end of year	2,098,987	22,991,469
<u>The Money market fund is guaranteed for third parties as follows:</u>		
Eskom	1,100,000	1,100,000
ABSA Bank	400,000	400,000
Department of Minerals and Energy	20,000	20,000
<u>Savings Account</u>		
ABSA Bank Limited - Bultfontein branch		
Account number 917438302		
Cash book balance at beginning of year	7,879	7,653
Cash book balance at end of year	-	7,879
Bank statement balance at beginning of year	7,879	7,653
Bank statement balance at end of year	-	7,879
<u>Cash on hand</u>	(3,101,147)	77,920
Total cash and cash equivalents	466,044	23,301,011
Total bank overdraft	-	-

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

2	TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS	Gross Balances	Provision for Doubtful Debts	Net Balance
		R	R	R
	<u>Trade receivables</u>			
	as at 30 June 2009			
	Service debtors			
	Rates	5,365,632	(2,000,613)	3,365,019
	Electricity	1,218,322	(43,665)	1,174,657
	Water	8,361,025	(6,643,416)	1,717,609
	Sewerage	11,974,845	(9,819,594)	2,155,252
	Refuse	8,780,273	(7,201,942)	1,578,331
	Housing rentals	965,433	(140,657)	824,776
	Provision for VAT on debtors	-	(3,618,984)	(3,618,984)
	Total	36,665,530	(29,468,871)	7,196,659
	as at 30 June 2008			
	Service debtors			
	Rates	4,308,488	(1,621,272)	2,687,216
	Electricity	1,524,395	(143,921)	1,380,474
	Water	8,072,700	(5,480,637)	2,592,064
	Sewerage	10,048,515	(8,131,613)	1,916,901
	Refuse	7,218,854	(5,878,334)	1,340,520
	Housing rentals	922,088	(62,645)	859,443
	Provision for VAT on debtors	-	(3,000,856)	(3,000,856)
	Total	32,095,040	(24,319,278)	7,775,762
			2009	RESTATED
			R	2008
				R
	<u>Rates: Ageing</u>			
	Current (0 – 30 days)		259,409	244,903
	31 - 60 Days		143,230	117,619
	61 - 90 Days		130,215	124,903
	91 - 120 Days		127,960	113,825
	121 - 150 Days		123,649	121,358
	+ 150 Days		4,561,397	3,727,614
	Total		5,345,861	4,450,221
	<u>Electricity, Water and Sewerage: Ageing</u>			
	Current (0 – 30 days)		1,644,153	1,943,424
	31 - 60 Days		502,870	440,997
	61 - 90 Days		450,545	394,332
	91 - 120 Days		449,368	385,542
	121 - 150 Days		413,090	354,240
	+ 150 Days		18,185,719	15,741,939
	Total		21,645,744	19,260,474
	<u>Refuse and Housing Rentals: Ageing</u>			
	Current (0 – 30 days)		222,193	189,868
	31 - 60 Days		180,781	140,405
	61 - 90 Days		176,767	140,296
	91 - 120 Days		175,025	138,187
	121 - 150 Days		170,970	135,684
	+ 150 Days		8,806,988	7,383,261
	Total		9,732,724	8,127,701

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)		
Bad Debt Provision		
Balance at the beginning of the year	24,236,265	22,501,356
Contributions to provision	5,944,476	1,914,351
Bad debts written off against provision	(711,870)	(179,442)
Balance at the end of the year	29,468,871	24,236,265
Amounts totalling R711,870 (2008: R179,442) were written off as bad debts.		
Debtors were disclosed at nominal value net of provision for bad debts.		
3 OTHER RECEIVABLES		
Other debtors	1,543,192	1,826,746
Prepayments	100,536	97,736
Total Other Debtors	1,643,728	1,924,482
Debtors were disclosed at nominal value net of provision for bad debts.		
4 INVENTORIES		
Opening balance of inventories:	165,142	173,754
Electricity	39,693	39,566
Spare parts	24,657	24,657
Fuel	46,640	55,251
Water	54,151	54,151
Sewerage	-	128
Additions:	3,150,899	1,212,223
Electricity	1,099,032	62,018
Spare parts	81,363	83,080
Fuel	1,244,293	1,018,254
Water	726,211	48,871
Sewerage	-	-
Issued (expensed):	(1,123,673)	(1,160,870)
Electricity	(3,236)	(47,040)
Spare parts	(22,413)	(69,002)
Fuel	(1,086,279)	(993,207)
Water	(11,745)	(51,493)
Sewerage	-	(128)
Closing balance of inventories:	2,249,608	165,142
Electricity	1,135,490	39,693
Spare parts	83,607	24,657
Fuel	204,654	46,640
Water	825,858	54,151
Sewerage	-	-

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

4 INVENTORIES (continued)

The Municipality has applied the measurement transitional provisions for inventory in Directive 4 of the Accounting Standards Board. As a result the Municipality has recognised provisional amounts for inventory until all the necessary information regarding the value of the inventory is obtained.

The Municipality is also in the process of appointing a service provider to enable the Municipality to successfully implement a process to value and manage total inventory of the Municipality during the next 2 years.

	2009 R	RESTATED 2008 R
5 INVESTMENTS		
<u>Listed</u>		
Tswelopele Local Municipality had not listed investments at the reporting date.		
<u>Unlisted</u>		
<u>Financial Instruments</u>		
Fixed Deposits	2,098,987	22,991,469
Other Investments: Shares	212,455	212,455
	2,311,441	23,203,924
Less: Fixed deposits transferred to cash and cash equivalents	(2,098,987)	(22,991,469)
	212,455	212,455
<u>Unlisted investments</u>		
Number of shares held at Senwes Limited	49,383	49,383
Number of shares held at Senwesbel Limited	75,732	75,732
Senwes' estimated valuation of unlisted investments	609,434	576,506
Value of Senwes Limited shares @ R5.90 (2008: R6.00) per share	291,360	296,298
Value of Senwesbel Limited shares @ R4.20 (2008: R3.70) per share	318,074	280,208
Average gross rate of return on investments (cost price)	14.76%	23.56%
Average gross rate of return on investments (valuation)	5.15%	8.68%
Ordinance 8 of 1962 and the Municipal Finance Management Act (56 of 2003) require that funds, trust funds and other be invested in prescribed instruments.		
In accordance with IAS 39.46, the shares were carried at cost as they are unlisted shares and the share price could not be determined reliably.		
No investments have been written off during the year.		
<u>Investment in Senwes and Senwesbel shares</u>		
Dividends received - Senwes Limited	14,321	19,753
Dividends received - Senwesbel Limited	17,040	30,292

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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6 PROPERTY, PLANT AND EQUIPMENT

6.1 Reconciliation of Carrying Value

	Land and Buildings R	Infrastructure R	Other Assets R	Finance lease assets R	Total R
as at 1 July 2008	10,899,755	146,933,525	17,652,028	1,971,219	177,456,527
Cost/Revaluation	10,899,755	146,933,525	17,652,028	1,971,219	177,456,527
Accumulated depreciation and impairment losses	-	-	-	-	-
Acquisitions	522,517	42,537,706	1,036,092	1,264,936	45,361,251
Depreciation	-	-	-	-	-
Carrying value of disposals	(5,500)	-	(317,162)	-	(322,662)
Cost/Revaluation	(5,500)	-	(317,162)	-	(322,662)
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
as at 30 June 2009	11,416,773	189,471,231	18,370,958	3,236,155	222,495,116
Cost/Revaluation	11,416,773	189,471,231	18,370,958	3,236,155	222,495,116
Accumulated depreciation and impairment losses	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

6.1 Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Other Assets R	Finance lease assets R	Total R
as at 1 July 2007	10,733,873	108,819,005	15,673,335	1,971,219	137,197,432
Cost/Revaluation	-	-	-	-	-
Correction of error (note 31)	-	-	-	1,971,219	1,971,219
Change in accounting policy (note 30)	10,733,873	108,819,005	15,673,335	-	135,226,213
Accumulated depreciation and impairment losses	-	-	-	-	-
Acquisitions	165,882	38,114,520	1,993,497	-	40,273,899
Depreciation	-	-	-	-	-
Carrying value of disposals	-	-	(14,803)	-	(14,803)
Cost/Revaluation	-	-	(14,803)	-	(14,803)
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
as at 30 June 2008 (restated)	10,899,755	146,933,525	17,652,028	1,971,219	177,456,527
Cost/Revaluation	10,899,755	146,933,525	17,652,028	1,971,219	177,456,527
Accumulated depreciation and impairment losses	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment.

The Municipality has applied the measurement transitional provisions for property, plant and equipment in Directive 4 of the Accounting Standards Board. As a result no depreciation and impairment losses (including accumulated depreciation and impairments) were recognised in the financial statements.

The Municipality is also in the process of appointing a service provider to enable the Municipality to successfully implement a process to value and manage all assets of the Municipality during the next 2 years.

TSWELOPELE LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS
FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX A

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2008	Received during the period	Redeemed / written off during the period	Balance at 30 June 2009	Cost Price of Property, Plant & Equipment	Asset Capitalised	Depreciation Period	Other Costs in accordance with MFMA
			R	R	R	R	R			R
LONG-TERM LOANS										
DBSA Loan @ 13.45%	3	2009	397,025	-	(46,654)	350,371	718,000	1986	20 Years	-
DBSA Loan @ 11.90%	38	2024	14,358,591	-	(307,785)	14,050,806	15,000,000	2006	20 Years	-
TOTAL EXTERNAL LOANS			14,755,616	-	(354,439)	14,401,177	15,718,000			-

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

7 INTANGIBLE ASSETS

7.1 Reconciliation of carrying value	Computer Software R
as at 1 July 2008	-
Cost	-
Accumulated amortisation and impairment losses	-
Acquisitions	32,327
Amortisation	-
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-
as at 30 June 2009	32,327
Cost	32,327
Accumulated amortisation and impairment losses	-

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

7 INTANGIBLE ASSETS (continued)

7.2 Reconciliation of carrying value	Computer Software R
as at 1 July 2007	-
Cost	-
Accumulated amortisation and impairment losses	-
Acquisitions	-
Amortisation	-
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
Other movements	-
as at 30 June 2008	-
Cost	-
Accumulated amortisation and impairment losses	-

The Municipality has applied the measurement transitional provisions for intangible assets in Directive 4 of the Accounting Standards Board. As a result no depreciation and impairment losses (including accumulated depreciation and impairments) were recognised in the financial statements.

The Municipality is also in the process of appointing a service provider to enable the Municipality to successfully implement a process to value and manage all assets of the Municipality during the next 2 years.

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

8 INVESTMENT PROPERTY CARRIED AT COST

8.1 Reconciliation of carrying value	Land and Buildings R
as at 1 July 2008	5,230,035
Cost	5,230,035
Accumulated amortisation and impairment losses	-
Acquisitions	-
Amortisation	-
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
as at 30 June 2009	5,230,035
Cost	5,230,035
Accumulated amortisation and impairment losses	-

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

8 INVESTMENT PROPERTY CARRIED AT COST (continued)

	Land and Buildings R
as at 1 July 2007	5,230,035
Cost	-
Change in accounting policy (note 30)	5,230,035
Accumulated amortisation and impairment losses	-
Acquisitions	-
Amortisation	-
Carrying value of disposals	-
Cost	-
Accumulated amortisation	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
as at 30 June 2008	5,230,035
Cost	5,230,035
Accumulated amortisation and impairment losses	-

8.3 No investment property was pledged as security for loans at year end

8.4 Fair value of investment property carried at cost

The fair values of the investment properties had not been determined at year end and the municipality is in the process of engaging with valuers to obtain fair values.

8.5 Details of investment properties

The investment properties of the municipality comprises of various land and/or buildings which are leased out to third parties for various uses. The lease term for these properties range from four years to twenty years.

	2009 R	RESTATED 2008 R
8.6 Rental income from investment property	473,256	375,242

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

8 INVESTMENT PROPERTY CARRIED AT COST (continued)

8.7 Other disclosures

The Municipality has applied the measurement transitional provisions for investment property in Directive 4 of the Accounting Standards Board. As a result no depreciation and impairment losses (including accumulated depreciation and impairments) were recognised in the financial statements. At this stage the municipality has recognised provisional amounts for the investment properties until all the necessary information regarding the value of the assets is obtained.

The Municipality is also in the process of appointing a service provider to enable the Municipality to successfully implement a process to value and manage all assets of the Municipality during the next 2 years.

9 BIOLOGICAL ASSETS

9.1 Reconciliation of fair value

**Game
R**

as at 1 July 2008

665,600

Acquisitions

87,750

Fair value adjustment

-

Fair value of disposals

-

Impairment loss/Reversal of impairment loss

-

Transfers

-

as at 30 June 2009

753,350

9.2 Reconciliation of fair value

Fair value as at 1 July 2007

-

Correction of error: fair value (note 31)

559,000

Acquisitions

106,600

Fair value adjustment

-

Fair value of disposals

-

Impairment loss/Reversal of impairment loss

-

Transfers

-

as at 30 June 2008

665,600

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

9 BIOLOGICAL ASSETS (continued)

9.3 Quantities of Game at year end	Quantity
'Blesbokke'	91
'Blouwildebeeste'	25
'Gemsbokke'	70
'Koedoes'	24
'Lechwe'	20
'Rooibokke'	26
'Rooihartbeeste'	9
'Sprinbokke'	268
'Swartsprinbokke'	55
'Swartwildebeeste'	119
'Volstruise'	17
'Zebras'	18

9.4 Biological assets pledged as security
 None of the biological assets of the Municipality were pledged as security for loans as at 30 June 2009.

9.5 Methods and assumptions used in determining the fair value
 Bid prices obtained from biological assets auction were used as the fair value of biological assets of the Municipality.

9.6 Other disclosures

The Municipality has applied the measurement transitional provisions for biological assets in Directive 4 of the Accounting Standards Board. As a result no impairment losses (including accumulated impairments) were recognised in the financial statements. At this stage the municipality has recognised provisional amounts for the biological assets until all the necessary information regarding the value of the assets is obtained.

The Municipality is also in the process of appointing a service provider to enable the Municipality to successfully implement a process to value and manage all assets of the Municipality during the next 2 years.

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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		2009 R	RESTATED 2008 R
10	TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS		
	Trade and other creditors	4,477,145	3,926,489
	Payments received in advance	835,632	1,040,109
	Staff leave accrual	2,027,998	2,775,675
	Staff bonuses accrual	1,020,704	412,258
	Audit fees accrual	-	818,182
	Total creditors	8,361,480	8,972,714
	The fair value of trade and other payables approximates their carrying amounts.		
11	CONSUMER DEPOSITS		
	Electricity and Water	414,042	380,282
	Total consumer deposits	414,042	380,282
	No interest accrues on the balance of the Consumer Deposits held by the Municipality.		
	No guarantees are kept in lieu of electricity deposits.		
12	VALUE ADDED TAX		
12.1	VAT RECEIVABLE		
	VAT receivable	-	-
12.2	VAT PAYABLE		
	VAT payable	3,654,080	133,524
	The Municipality is registered on the cash basis for VAT purposes. This means that VAT is only declared once cash is received or actual payments are made.		
13	UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
13.1	Unspent Conditional Grants from other spheres of Government	8,303,058	29,217,367
	Skills Development Grant	135,459	63,723
	MIG Grants	6,405,348	26,869,454
	MSIG Grants	4,113	106,482
	FMG Grants	-	20,428
	Grant - purchase and repair of moveable assets	5,561	67,888
	Grant - town planning and surveying	-	60,448
	Vuna Award	466,705	732,473
	Tikwana 100 Housing	1,285,873	1,285,873
	Planning Provincial Government	-	10,600
13.2	Other Unspent Conditional Grants and Receipts	24,836	24,080
	DBSA Grant	-	24,080
	Lotto Grant	24,836	-
	Total Unspent Conditional Grants and Receipts	8,327,894	29,241,448
	See note 21 (and Appendix E) for reconciliation of grants from other spheres of government. The amounts will be recognised as revenue when the qualifying expenditure is incurred. No grants were withheld due to unfulfilled conditions.		

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	RESTATED 2008 R
14 BORROWINGS		
Annuity Loans	14,401,177	14,755,616
Less : Current portion transferred to current liabilities		
Annuity Loans	(405,056)	(524,234)
Total borrowings	13,996,121	14,231,382

All annuity loans are from The Development Bank of South Africa and repayments are made on a six monthly basis. The last loan will be redeemed at 31 December 2015 and the loans carry interest between 11% and 14% per annum.

Refer to Appendix A for more detail on borrowings.

15 FINANCE LEASE LIABILITY

2009	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	735,297	39,035	696,261
Within two to five years	1,283,346	95,309	1,188,037
	2,018,643	134,344	1,884,299
Less: Amount due for settlement within 12 months (current portion)			(696,261)
			1,188,037

The average lease term is 5 years and the average effective borrowing rate is between 7,19% and 22,42%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10% and 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

2008	Minimum lease payment R	Future finance charges R	Present value of minimum lease payments R
Amounts payable under finance leases			
Within one year	443,799	49,046	394,753
Within two to five years	825,184	134,344	690,840
	1,268,983	183,390	1,085,593
Less: Amount due for settlement within 12 months (current portion)			(394,753)
			690,840

The average lease term is 5 years and the average effective borrowing rate is 7,19% and 22,42%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate between 10% and 15% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
16 NON-CURRENT PROVISIONS		
Provision for post retirement benefits	3,423,430	3,308,995
Provision for rehabilitation of landfill sites	83,745	74,325
Total Non-Current Provisions	3,507,176	3,383,319
16.1 Provision for post retirement benefits		
The movement in the provision for post retirement benefits is reconciled as follows: -		
Balance at the beginning of year	3,308,997	-
Change in accounting policy (refer to note 31.4)	-	3,262,921
Contribution for the year	351,793	314,679
Expenditure for the year	(338,500)	(308,197)
Actuarial loss / (gain)	101,140	39,594
Balance at the end of year	3,423,430	3,308,997
The post retirement benefit plan is a defined benefit plan, of which the members are made up as follows:		
In-service members (employee)	-	-
Continuation members: i.e. Retired (old age or ill health)	15	15
Total members	15	15
Past service estimate liability		
In-service members	-	-
Continuation members	3,423,430	3,308,997
Total liability	3,423,430	3,308,997
The municipality makes monthly contributions relating to post retirement benefits to the following medical aid schemes:		
Fedhealth Medical Scheme		
Hosmed Medical Aid		
Keyhealth		
KEY ASSUMPTIONS		
Rate of interest		
Discount rate	12.68%	12.68%
Health care cost inflation rate	10.55%	10.55%
Net effective discount rate	1.34%	1.34%
Mortality rates		
Life expectancy tables were used in the calculations		
16.2 Provision for rehabilitation of landfill sites		
The provision for rehabilitation of landfill site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The provision has been made for the net present value of this cost, using the average cost of borrowing interest rate.		

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
16 NON-CURRENT PROVISIONS (continued)		
16.2 Provision for rehabilitation of landfill sites (continued)		
The movement in the provision for rehabilitation of landfill sites is reconciled as follows: -		
Balance at the beginning of year	74,325	-
Change in accounting policy (refer to note 31.4)	-	65,964
Contribution for the year	9,421	8,361
Expenditure for the year	-	-
Total provision end of the year	83,745	74,325
Less: Transfer of current portion to current provisions	-	-
Balance at the end of year	83,745	74,325
16.3 Total non-current provisions		
The movement in the non-current provisions is reconciled as follows: -		
Balance at the beginning of year	3,383,321	-
Change in accounting policy (refer to note 31.4)	-	3,328,885
Contribution for the year	361,213	323,039
Expenditure for the year	(338,500)	(308,197)
Actuarial loss / (gain)	101,140	39,594
Total provision end of the year	3,507,176	3,383,321
Less: Transfer of current portion to current provisions	-	-
Balance at the end of year	3,507,176	3,383,321
17 PROPERTY RATES		
Actual		
State	660,557	660,557
Residential and Commercial	2,546,816	2,536,502
Total	3,207,373	3,197,059
Valuations		
Government	1,566,288	1,566,288
Residential and other	12,455,903	12,455,903
Total Property Valuations	14,022,191	14,022,191
Valuation of land and improvements is performed every five years.		
The last general valuation came into effect on 1 July 1996. The MEC for Local Government and Housing has however granted extension of time for the new valuations to be executed.		
The assessment rates are levied on the following basis:		
Land : Bultfontein 0.36c/R (2008: 0.36c/R); Hoopstad 0.793c/R (2008:0.793c/R)		
Improvements: Bultfontein nil/R (2008: nil/R); Hoopstad 0.99c/R (2008:0.99c/R).		
Rebates are given to the Central and Provincial Government.		
18 SERVICE CHARGES		
Sale of electricity	8,536,475	5,962,532
Sale of water	4,196,187	4,915,641
Refuse removal	2,852,957	2,812,583
Sewerage and sanitation charges	4,601,423	4,521,549
Total Service Charges	20,187,043	18,212,305

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
19 RENTAL OF FACILITIES AND EQUIPMENT		
Rental of facilities	473,256	375,242
Rental of equipment	81,553	57,063
Other rentals	36,129	46,509
Total rentals	590,938	478,814
20 INTEREST EARNED - EXTERNAL INVESTMENTS		
ABSA Bank - Current Account	8,014	16,359
ABSA Bank - Money Market Account	1,675,517	1,771,543
Total interest	1,683,531	1,787,902
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	27,853,031	21,364,388
Actually received	29,757,818	21,364,388
Directly utilised for subsidised services	(1,904,787)	-
Conditional Grants		
District Municipality Grant	50,000	50,000
Financial Management Grant	270,428	69,343
MSIG Grant	794,935	8,987,532
Municipal Infrastructure Grant (MIG)	26,164,106	70,626,618
DBSA Grant	24,080	76,950
Tikwana 100 housing	-	185,276
Planning Provincial Government	10,600	(51,200)
Grant - purchase and repair of moveable assets	67,997	-
Skills Development Grant	25,000	-
Grant - Town planning and survey	60,448	100,000
Vuna award	1,015,768	17,527
Lotto Grant	361,403	-
Grant - Capacity building	-	24,970
Financial Grant	-	34,675
Total Government Grant and Subsidies	56,697,796	101,486,079
No grants were withheld due to unfulfilled conditions.		
The free electricity provided by the Municipality is recoverable from the equitable share grant		
21.1 Equitable Share		
In terms of the Constitution, this grant is utilised to subsidise the provision of basic services to indigent community members and free basic water and electricity to the remainder of the community. All consumers receive a monthly subsidy which is credited to their accounts.		
21.2 Skills Development Grant		
Balance unspent at beginning of year	(63,723)	(63,723)
Current year receipts	(96,736)	-
Conditions met - transferred to revenue	25,000	-
Conditions still to be met - remain liabilities (see note 13)	(135,459)	(63,723)
This grant was utilised to defray training costs of personnel. The conditions of the grant have been met and no monies have been withheld.		

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
21 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
21.3 MIG Grant		
Balance unspent at beginning of year	(26,869,454)	(5,328,848)
Current year receipts	(5,700,000)	(92,167,224)
As per the financial records	(2,700,000)	(92,167,224)
Add uncleared deposits transferred from cash book	(3,000,000)	-
Conditions met - transferred to revenue (operating expenditure)	-	32,512,098
Conditions met - transferred to revenue (capital expenditure)	26,164,106	38,114,520
Conditions still to be met - remain liabilities (see note 13)	(6,405,348)	(26,869,454)
<p>The grant is used to supplement municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households. The grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas.</p> <p>Included in the unspent MIG Grant are retention monies and suretyship withheld from various projects financed by MIG.</p>		
21.4 Financial Management Grant		
Balance unspent at beginning of year	(20,428)	(67,888)
Current year receipts	(250,000)	(21,883)
Conditions met - transferred to revenue	270,428	69,343
Conditions still to be met - remain liabilities (see note 13)	-	(20,428)
<p>The purpose of the grant is to promote and support reforms to financial management and implementation of the Municipal Finance Management Act (MFMA)</p>		
21.5 MSIG Grant		
Balance unspent at beginning of year	(64,047)	(317,579)
Current year receipts	(735,000)	(8,734,000)
Conditions met - transferred to revenue	794,935	8,987,532
Conditions still to be met - remain liabilities (see note 13)	(4,112)	(64,047)
<p>The purpose of the grant is to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the local Government Municipal Systems Act of 2000.</p>		
21.6 Grant - capacity building		
Balance unspent at beginning of year	-	-
Current year receipts	-	(24,970)
Conditions met - transferred to revenue	-	24,970
Conditions still to be met - remain liabilities (see note 13)	-	-
<p>Grant will be used for Capacity Building of the Municipality.</p>		

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2009 R	RESTATED 2008 R
21 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
21.7 Grant - purchase and repair of moveable assets		
Balance unspent at beginning of year	(67,888)	-
Current year receipts	(5,670)	(67,888)
Conditions met - transferred to revenue	67,997	-
Conditions still to be met - remain liabilities (see note 13)	(5,561)	(67,888)
This grant was utilised to purchase and repair vehicles and equipment necessary for improved service delivery. The conditions of the grant have been met and no monies have been withheld.		
21.8 Grant - town planning and surveying		
Balance unspent at beginning of year	(60,448)	45,600
Current year receipts	-	(206,048)
Conditions met - transferred to revenue	60,448	100,000
Conditions still to be met - remain liabilities (see note 13)	-	(60,448)
To assist Municipality with compilation of a Town Planning scheme to manage land development.		
21.9 Financial Grant		
Balance unspent at beginning of year	-	(34,675)
Current year receipts	-	-
Conditions met - transferred to revenue	-	34,675
Conditions still to be met - remain liabilities (see note 13)	-	-
The conditions of the grant have been met and no monies have been withheld.		
21.10 Tikwana 100 Housing		
Balance unspent at beginning of year	(1,285,874)	(30,042)
Current year receipts	-	(1,441,108)
Conditions met - transferred to revenue	-	185,276
Conditions still to be met - remain liabilities (see note 13)	(1,285,874)	(1,285,874)
The conditions of the grant have been met and no monies have been withheld.		
21.11 Planning Provincial Government		
Balance unspent at beginning of year	(10,600)	35,000
Current year receipts	-	5,600
Conditions met - transferred to revenue	10,600	(51,200)
Conditions still to be met - remain liabilities (see note 13)	-	(10,600)
The conditions of the grant have been met and no monies have been withheld.		

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FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	RESTATED 2008 R
21 GOVERNMENT GRANTS AND SUBSIDIES (continued)		
21.12 Grant - Service of loan		
Balance unspent at beginning of year	-	-
Current year receipts	(50,000)	(50,000)
Conditions met - transferred to revenue	50,000	50,000
Conditions still to be met - remain liabilities (see note 13)	-	-
To help the Municipality to Redeem its Loan from DBSA. The conditions of the grant have been met and no monies have been withheld.		
21.13 DBSA Grant		
Balance unspent at beginning of year	(24,080)	(101,030)
Current year receipts	-	-
Conditions met - transferred to revenue	24,080	76,950
Conditions still to be met - remain liabilities (see note 13)	-	(24,080)
This grant was utilised for the upgrading of the sewerage network. The conditions of the grant have been met and no monies have been withheld.		
21.14 VUNA Award		
Balance unspent at beginning of year	(732,473)	-
Current year receipts	(750,000)	(750,000)
Conditions met - transferred to revenue	1,015,768	17,527
Conditions still to be met - remain liabilities (see note 13)	(466,705)	(732,473)
No grants were withheld due to unfulfilled conditions.		
Included in the unspent VUNA Award are retention monies and suretyship withheld from a project financed by VUNA.		
21.15 Lotto Grant		
Balance unspent at beginning of year	-	-
Current year receipts	(386,239)	-
Conditions met - transferred to revenue	361,403	-
Conditions still to be met - remain liabilities (see note 13)	(24,836)	-
No grants were withheld due to unfulfilled conditions.		
21.16 Changes in levels of government grants		
Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
22 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	16,014,770	13,947,934
Employee related costs - Contributions for UIF, pensions and medical aids	4,477,102	3,834,733
Travel, motor car, accommodation, subsistence and other allowances	1,965,215	1,878,355
Housing benefits and allowances	67,165	44,938
Overtime payments	977,140	855,681
Performance and other bonuses	608,446	-
Other employee related costs	915,697	621,491
Total Employee Related Costs	25,025,534	21,183,132

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	2009 R	RESTATED 2008 R
22 EMPLOYEE RELATED COSTS (continued)		
Remuneration of the Municipal Manager		
Annual Remuneration	342,273	342,000
Performance- and other bonuses	12,000	-
Travel, motor car, accommodation, subsistence and other allowances	128,417	126,980
Contributions to UIF, Medical and Pension Funds	83,392	63,272
Total	566,082	532,252
Remuneration of the Chief Finance Officer		
Annual Remuneration	372,000	339,000
Performance- and other bonuses	-	-
Travel, motor car, accommodation, subsistence and other allowances	169,282	83,828
Contributions to UIF, Medical and Pension Funds	76,158	69,510
Total	617,440	492,338
Remuneration of Individual Executive Managers	Chief Operating Officer R	Corporate Services R
2009		Community Services R
Annual Remuneration	367,200	348,000
Performance- and other bonuses	34,145	21,265
Travel, motor car, accommodation, subsistence and other allowances	217,308	145,457
Contributions to UIF, Medical and Pension Funds	75,194	64,381
Total	693,848	579,103
	Chief Operating Officer R	Corporate Services R
2008		Community Services R
Annual Remuneration	339,000	308,520
Travel, motor car, accommodation, subsistence and other allowances	118,420	124,335
Contributions to UIF, Medical and Pension Funds	69,510	71,003
Total	526,930	503,858
	2009 R	RESTATED 2008 R
23 REMUNERATION OF COUNCILLORS		
Mayor	468,915	429,770
Speaker	375,322	364,882
Executive Committee Members	375,955	337,723
Councillors' allowances	1,353,313	1,217,011
Total Councillors' Remuneration	2,573,505	2,349,386

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FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	RESTATED 2008 R
23 REMUNERATION OF COUNCILLORS (continued)		
In-kind Benefits		
The Mayor and Speaker are full-time councillors. Each is provided		
with an office and secretarial support at the cost of the Council.		
The salaries and allowances of the councillors are within the limits as prescribed by the Remuneration of Public Office Bearers Act, 1998 (No. 20 of 1998).		
24 DEPRECIATION AND AMORTISATION EXPENSE		
Property, plant and equipment	-	-
Finance leased assets	-	-
Investment property carried at cost	-	-
Intangible assets	-	-
Total Depreciation and Amortisation	-	-
Refer to note 6, 7 and 8 for the measurement transitional provisions applied regarding the measurement of Property, plant and equipment, Intangible assets and Investment properties respectively.		
25 FINANCE COSTS		
Borrowings	2,106,601	2,113,568
Consumer deposits	7,587	1,469
Finance leases	49,046	12,105
Total Finance Costs	2,163,234	2,127,142
26 BULK PURCHASES		
Electricity	9,846,279	6,285,377
Water	557,891	2,425,188
Total Bulk Purchases	10,404,170	8,710,564
27 OPERATING GRANT EXPENDITURE		
Total Grants and Subsidies utilised	56,697,796	101,486,079
Less:		
Equitable share	(27,853,031)	(21,364,388)
Capital expenditure grants (MIG)	(26,164,106)	(38,114,520)
Total operating grant expenditure	2,680,659	42,007,171
28 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	3,466,044	23,301,011
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	3,466,044	23,301,011

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
29 GENERAL EXPENSES		
Included in general expenses are the following:-		
Advertising	85,175	301,744
Audit fees	3,000	1,038,270
Bank charges	189,634	236,597
Cleaning	32,503	19,820
Conferences and delegations	348,590	453,736
Entertainment	152,459	64,302
Fuel and oil	853,717	1,093,633
Insurance	160,427	238,339
Legal expenses	722,480	526,997
Licence fees - vehicles	53,659	62,233
Licence fees - computers	146,301	130,027
Licence fees - other	14,278	9,789
Membership fees	151,699	172,383
Printing and stationery	317,941	272,334
Professional fees	117,922	37,065
Rental of office equipment	(26,665)	(10,975)
Restoration of landfills	9,421	8,361
Telephone cost	663,158	575,616
Training	176,584	86,556
Travel and subsistence	277,747	165,722
Uniforms & overalls	89,554	70,556
Valuation costs	328,320	299,880
Other	2,444,285	12,496,107
	7,312,189	18,349,093
30 CASH GENERATED BY OPERATIONS		
Surplus/(deficit) for the year	25,973,891	28,398,619
Adjustment for:-		
Depreciation and amortisation	-	-
Finance costs	2,163,234	2,127,142
Interest earned	(2,279,749)	(2,302,057)
Dividends received	(31,361)	(50,045)
Bad debts written off	(711,870)	(179,442)
Contributions to non-current provisions	123,854	54,437
Contributions to audit fees provision	(818,182)	146,876
Contributions to leave provision	2,027,998	(1,202,300)
Contributions to bonus provision	1,020,704	26,970
Contributions to bad debt provision	5,944,476	1,914,351
Operating surplus before working capital changes:	33,412,994	28,934,551
(Increase)/decrease in inventories	(2,084,467)	545,053
(Increase)/decrease in trade receivables	579,103	(83,737)
(Increase)/decrease in other receivables	280,754	(1,924,482)
(Increase)/decrease in VAT receivable	-	-
Increase/(decrease) in conditional grants and receipts	(9,496,781)	25,067,393
Increase/(decrease) in trade payables	(595,484)	(388,559)
Increase/(decrease) in VAT payable	3,520,556	133,524
Cash generated by/(utilised in) operations	25,616,675	52,283,743

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
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	2009 R	RESTATED 2008 R
31 CHANGE IN ACCOUNTING POLICY		
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:		
31.1 Statutory Funds		
Balance previously reported: -		
Capital Development Fund	918,560	4,909,735
Erven Trust Fund	210,835	6,037,460
Loans redeemed and other capital receipts	-	150,845,631
Total	1,129,395	161,792,826
Implementation of GRAP		
Transferred to Capitalisation Reserve	-	-
Total (debited to Accumulated Surplus/(Deficit)) (see 31.5 below)	1,129,395	161,792,826
31.2 Property, plant and equipment		
Balance previously reported: -	(246,277,949)	(200,916,698)
Implementation of GRAP		
Land and buildings	11,416,773	10,899,755
Infrastructure	189,471,231	146,933,525
Other assets	18,370,958	17,652,028
Leased assets	3,236,155	1,971,219
Intangible assets	32,327	-
Investment property carried at cost	5,230,035	5,230,035
Total (debited to Accumulated Surplus/(Deficit)) (see 31.5 below)	(18,520,471)	(18,230,136)
31.3 Accumulated Depreciation		
Balance previously reported -	-	-
Implementation of GRAP		
Backlog depreciation: Land and buildings	-	-
Backlog depreciation: Infrastructure	-	-
Backlog depreciation: Other	-	-
Backlog depreciation: Leased assets	-	-
Backlog depreciation: Investment property	-	-
Backlog depreciation: Intangible assets	-	-
Total (debited to Accumulated Surplus/(Deficit)) (see 31.5 below)	-	-
Refer to note 6, 7 and 8 for the measurement transitional provisions applied regarding the measurement of Property, plant and equipment, Intangible assets and Investment properties respectively.		
31.4 Non-current provisions		
Balance previously reported -	-	-
Implementation of GRAP		
Provision for rehabilitation of landfill sites	(3,383,321)	(3,328,885)
Contribution to the provisions	(462,354)	(362,633)
Expenditure for the year	338,500	308,197
Total (debited to Accumulated Surplus/(Deficit)) (see 31.5 below)	(3,507,176)	(3,383,321)

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
31 CHANGE IN ACCOUNTING POLICY (continued)		
31.5 Accumulated Surplus/(Deficit)		
Implementation of GRAP		
Transferred from statutory funds	1,129,395	161,792,826
Transferred from Property, plant and equipment	(18,544,872)	(18,230,136)
Backlog depreciation	-	-
Non-current provisions previously not recognised	-	(3,328,885)
VAT provision and other adjustments	(561,288)	(3,941,496)
Total	(17,976,765)	136,292,310
32 CORRECTION OF ERROR		
The following errors were corrected in terms of GRAP 3:		
Accounting Policies, Changes in Accounting Estimates and Errors.		
32.1 Unspent Conditional Grants reclassified from payables		
Unspent conditional grants at year end were incorrectly classified as payables. The financial statements of 2008 have been restated to correct this error. The effect of the restatement is summarised below:		
Increase in unspent conditional grants	(8,327,894)	(29,241,448)
Decrease in other creditors	8,327,894	29,241,448
32.2 Government grants and subsidies (revenue)		
The recognised for Government Grants and Subsidies was corrected to be in line with GRAP 9.		
The comparative amount has been restated as follows:		
Increase in Government Grants and Subsidies	-	(67,394,799)
Increase in Operating Grants Expenditure	-	42,007,171
Net effect on surplus/(deficit) for the year	-	(25,387,628)
32.3 Biological assets reclassified from inventory		
Biological assets were incorrectly classified as inventory. The financial statements of 2008 have been restated to correct this error. The effect of the restatement is summarised below:		
Increase in biological assets	753,350	665,600
Decrease in inventory	(753,350)	(665,600)
32.4 Accruals reclassified from provisions		
The following accruals were incorrectly classified as provisions on the financial statements. The financial statements of 2008 have been restated to correct this error. The effect of the restatement is summarised below:		
Increase in trade and other payables (accruals)	(3 048 702)	(4 006 116)
Staff leave accrual	(2 027 998)	(2 775 675)
Staff bonuses accrual	(1 020 704)	(412 258)
Audit fees accrual	-	(818 182)
Decrease in provisions	3 048 702	4 006 116

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
32.5 Finance lease assets and liabilities reclassified from leases		
Office equipment leased was incorrectly treated as an operating lease instead of a finance lease. The financial statements of 2008 have been restated to correct this error. The effect of the restatement is summarised below:		
The comparative amount has been restated as follows:		
Increase in finance charges on finance lease	49,046	12,105
Increase in depreciation on finance leased asset	-	-
(Decrease) in leasing and hiring costs on finance lease asset		
	<u>(512,523)</u>	<u>(413,466)</u>
Net effect on surplus/(deficit) for the year	<u>(463,477)</u>	<u>(401,361)</u>
Finance lease liability	(1,884,299)	(1,864,423)
Finance lease asset cost	3,236,155	1,971,219
Finance lease asset accumulated depreciation	-	-
Net effect on Statement of Financial Position	<u>1,351,856</u>	<u>106,796</u>
Net effect on Accumulated surplus opening balance	<u>(401,361)</u>	<u>71,032</u>
32.6 VAT provision on debtors balance		
VAT payable on debtor's balance was incorrectly not recognised in the financial statements. The financial statements of 2008 have been restated to correct this error. The effect of the restatement is summarised below:		
Increase in VAT (payable)/receivable	(4,502,784)	(3,941,496)
Net effect on Accumulated surplus opening balance	4,502,784	3,941,496
32.7 Insurance claims proceeds		
Insurance claims proceeds were previously classified as liability. As a result, the prior year financial statements had a closing balance for insurance claims proceeds. However this should be recorded as revenue in line with GRAP. Refer to the adjustment below:		
Decrease in trade and other payables		253,512
Net effect on Accumulated surplus opening balance		(253,512)
32.8 Accumulated Surplus/(Deficit)		
Unspent Conditional Grants reclassified from payables	-	-
Government grants and subsidies (revenue)	-	(25,387,628)
Biological assets reclassified from inventory	-	-
Accruals incorrectly classified as provisions	-	-
Non-current provisions	-	54,437
Finance lease assets and liabilities reclassified from inventory	-	(401,361)
Total	<u>-</u>	<u>(25,734,552)</u>

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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	2009 R	RESTATED 2008 R
33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
33.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
	<u>-</u>	<u>-</u>
33.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure		
Opening balance -	63,840	63,840
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	-	-
To be recovered – contingent asset	-	-
Fruitless and wasteful expenditure awaiting condonement	63,840	63,840
	<u>63,840</u>	<u>63,840</u>
33.3 Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	1,778,151	1,778,151
Irregular expenditure current year	2,848,441	1,902,239
Condoned or written off by Council	(2,848,441)	(1,902,239)
Transfer to receivables for recovery – not condoned	-	-
Irregular expenditure awaiting condonement	1,778,151	1,778,151
Expenditure shown as irregular was originally unauthorised, but then approved.	<u>1,778,151</u>	<u>1,778,151</u>
34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
34.1 Contributions to organised local government		
Opening balance	-	-
Council subscriptions	151,399	172,383
Amount paid - current	(151,399)	(172,383)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	<u>-</u>	<u>-</u>
34.2 Audit fees		
Opening balance	678,596	760,169
Current year audit fee	-	818,182
Amount paid - current year	-	-
Amount paid - previous years	(678,596)	(899,755)
Balance unpaid (included in payables)	<u>-</u>	<u>678,596</u>
No provision was made for the 2008/09 financial period		
34.3 VAT		
VAT (Refundable)/Payable	3,654,080	133,524
VAT input receivables and VAT output payables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.		

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	RESTATED 2008 R
34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)		
34.4 PAYE and UIF		
Opening balance	43,929	43,929
Current year payroll deductions	330,374	2,524,091
Amount paid - current year	(330,374)	(2,524,091)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	43,929	43,929
The balance represents PAYE and UIF deducted from the June 2009 payroll.		
34.5 Pension and Medical Aid Deductions		
Opening balance	-	-
Current year payroll deductions and Council Contributions	3,686,450	4,470,505
Amount paid - current year	(3,686,450)	(4,470,505)
Amount paid - previous years	-	-
Balance unpaid (included in payables)	-	-
The balance represents pension and medical aid contributions deducted from employees in the June 2009 payroll as well as Council's contributions to pension and medical aid funds.		
34.6 Councillor's arrear consumer accounts	nil	nil
35 CAPITAL COMMITMENTS		
35.1 Commitments in respect of capital expenditure		
- Approved and contracted for	15,800,472	54,645,780
Infrastructure	14,318,000	-
Community	1,482,472	-
Other	-	54,645,780
This expenditure will be financed from:		
- Government Grants	14,318,000	54,089,441
- Own resources	1,482,472	556,339
Total	15,800,472	54,645,780
Total capital commitments at year end	1,631,699	18,096,365
Total Suretyships and Retention monies	392,253	3,291,154
Capital commitments balance at year end is made up of commitments on MIG (Infrastructure) and Vuna Awards projects (Community).		
See Appendix F for further details on Capital Commitments.		
35.2 Operating leases		
Operating leases – as lessor		
Minimum lease payments due		
Within one year	438,793	421,943
In second to fifth year inclusive	281,468	660,225
After five years	157,583	217,618
Total	877,844	1,299,787

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
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	2009 R	RESTATED 2008 R
35.2 Operating leases (continued)		
Operating leases – as lessor (continued)		
Operating Leases consists of the following:		
Some of the municipality's assets are held to generate rental income. Lease agreements are non-cancellable and have terms from 4 to 20 years. There are no contingent rents receivable.		
36 RETIREMENT BENEFIT INFORMATION		
36.1 Defined contribution plan		
The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:		
- Vrystaat Munisipale Pensioenfonds		
- Free State Municipal Provident Fund		
- Municipal Employees Pension Fund		
- South African Local Authorities Pension Fund		
- South African Municipal Worker's Union National Provident Fund		
The valuation for the Vrystaat Munisipale Pensioenfonds was still in progress at the time of preparing the financial statements. This was for the period as at 30 June 2005.		
The Free State Municipal Provident Fund last actuarial valuation was at 30 June 2007 conducted by A Nel from Alexandra Forbes Financial Services. The estimated liability of the fund is R526,239,000, which is adequately financed by assets of R525,655,000. Even though the fund reflected a deficit of R584,000, the Valuator still maintained that the fund was in a sound financial position at valuation date.		
The Municipal Employees Pension Fund last actuarial valuation was at 29 February 2008 conducted by P.J Theunissin from Itakane Consultants and Actuaries. The valuation indicates that the fund was in a sound financial position at valuation date.		
The estimated liability of the fund is R4,900,547,812, which is adequately financed by assets of R5,715,557,193.		
The South African Local Authorities Pension Fund last actuarial valuation was at 1 July 2007 conducted by J.F Rossil and M.J Newman from Genesis Actuarial Solutions. The valuation indicates that the fund was in a sound financial position at valuation date. The estimated liability of the fund is R5,580,300, which is adequately financed by assets of R6,138,700.		
The South African Municipal Workers's Union National Provident Fund last actuarial valuation was at 30 June 2005 conducted by E.J Potgieter from Fifth Quadrant. The valuation indicates that the fund was in a sound financial position at valuation date. The estimated liability of the fund is R1,447,663, which is adequately financed by assets of R1,511,461.		
The above plans were all treated as defined contribution plans. These contributions have been expensed.		
36.2 Defined benefit plan		
The Municipality applied the following exemption regarding all the defined benefit plans.		

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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		2009 R	RESTATED 2008 R
36	RETIREMENT BENEFIT INFORMATION (continued)		
36.2	Defined benefit plan (continued)		
	These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.		
37	CONTINGENT LIABILITY		
37.1	Dispute on outstanding amount to DWAF		
	There is currently a disagreement between the Municipality and the Department of Water Affairs (DWAF) regarding the amount payable to DWAF at year end. However the Municipality recognised a creditor based on the Municipality's reconciliation at year end. The difference between the Municipality's reconciliation and DWAF's calculation has been disclosed as a Contigent liability at year end. Refer to details of amounts below.		
	Balance per the Municipality	(2,528,977)	-
	Balance per DWAF	(3,313,149)	-
	Contigent liability	(784,172)	-
38	CONTINGENT ASSET		
	The Municipality had no contingent assets at the reporting date.		
39	IN-KIND DONATIONS AND ASSISTANCE		
	The Municipality did not receive any in-kind donations and assistance during the current financial year.		
40	RELATED PARTIES		
	Post employment benefit plan for employees of municipality and/or other related parties. Refer to note 34 for the details.		
	Compensation to councillors and other key management (refer to note 19 & 20)		
	Related party balances		
	Loan accounts - Owing (to) by related parties	-	-
	Amounts included in Trade receivable (Trade payable) regarding related parties	-	-

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	RESTATED 2008 R
40 RELATED PARTIES (continued)		
Related party transactions		
Interest paid to (received from) related parties	-	-
Loans to (from) related parties	-	-
Purchases from (sales to) related parties		
C. Horn (Horn Familie Trust)	1,267	13,365
M.J. Taljaard (Die Ou Plank Plek)	-	3,400
41 EVENTS AFTER THE REPORTING DATE		
At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.		
42 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS		
The following areas involve a significant degree of estimation uncertainty:		
Provision for doubtful debts	29,468,871	24,236,265
Depreciation and impairment of assets	-	-
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)	3,507,176	3,383,319
Based on existing knowledge, it is reasonably possible that outcomes within the next financial year that are different from assumptions made could require a material adjustment to the carrying amount of these assets or liabilities.		
43 RISK MANAGEMENT		
43.1 Maximum credit risk exposure		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Financial assets exposed to credit risk at year end were as follows:		
ABSA Bank: Current Account	1,468,204	223,743
ABSA Bank: Money Market Account	2,098,987	22,991,469
ABSA Bank: Savings Account	-	7,879
Trade and other receivables	8,840,387	9,700,244
These balances represent the maximum exposure to credit risk.		
43.2 Liquidity risk		
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.		
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.		
The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.		

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

		2009	RESTATED
		R	2008
			R
43	RISK MANAGEMENT (continued)		
43.2	Liquidity risk (continued)		
			Later than one year and not later than two years
	2009	Within one year	
	Gross finance lease obligations	735,297	735,297
	Borrowings	1,053,296	1,053,296
	Trade and other payables	8,361,480	-
			Later than two years and not later than five years
	2009	Later than two years and not later than five years	Later than five years
	Gross finance lease obligations	548,050	-
	Borrowings	3,159,892	6,270,505
	Trade and other payables	-	-
			Later than one year and not later than two years
	2008	Within one year	
	Gross finance lease obligations	443,799	443,799
	Borrowings	1,053,296	1,053,296
	Trade and other payables	8,972,714	-
			Later than two years and not later than five years
	2008	Later than two years and not later than five years	Later than five years
	Gross finance lease obligations	381,385	-
	Borrowings	3,159,892	7,323,801
	Trade and other payables	-	-
43.3	Interest rate risk		
	The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.		
	At year end, financial instruments exposed to interest rate risk were as follows:		
	- ABSA Bank: Current Account	1,468,204	223,743
	- ABSA Bank: Money Market Account	2,098,987	22,991,469
	- ABSA Bank: Savings Account	-	7,879
	- Development Bank of South Africa loan	(14,401,177)	(14,755,616)
	- Finance Lease Liabilities	(1,884,299)	(1,085,593)

TSWELOPELE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

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		2009 R	RESTATED 2008 R
43	RISK MANAGEMENT (continued)		
43.4	Other price risk		
	The municipality's price risk arises from the shares held at Senwes and Senwesbel. The municipality holds a specific number of shares, of which their value depend on the share price at year end. These shares are not listed on any stock exchange.		
	Management's valuation of unlisted investments	609,434	576,506
	Average gross rate of return on investments	14.76%	23.56%
	Dividends received - Senwes Limited	14,321	19,753
	Dividends received - Senwesbel Limited	17,040	30,292
44	RESTATEMENT OF COMPARATIVE INFORMATION		
	Provision for audit fees, leave and bonuses have been reclassified as accruals. The effect of the restatement is summarised below:		
	Statement of Financial Position:		
	Provisions		4,006,116
	Accruals - audit fees		(818,182)
	Accruals - bonuses		(412,258)
	Accruals - leave		(2,775,675)
			-
45	COMPARISON WITH THE BUDGET		
	The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D.		

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009

[illegible]

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

[illegible]

[illegible]

FOR THE YEAR ENDED 30 JUNE 2009

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

[illegible]

TSWELOPELE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX D

2008	2008	2008		2009	2009	2009	2009	2009
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)	Budgeted Surplus / (Deficit)	Under / (over) - expenditure
R	R	R		R	R	R	R	R
Community services								
3,711,214	299,880	3,411,334	Assessment rates	3,803,590	1,928,756	1,874,834	2,909,011	(1,034,177)
317,988	77,823	240,165	Camps & Arable Land	408,576	144,391	264,186	283,434	(19,248)
21,058	1,010,763	(989,705)	Community services	6,852	1,347,362	(1,340,510)	(1,472,591)	132,081
63	4,412,510	(4,412,446)	Council's general account	71,270	4,950,215	(4,878,945)	(4,373,360)	(505,585)
250	-	250	Licences	100	-	100	300	(200)
123,679	1,471,388	(1,347,709)	Parks and cemeteries	122,764	1,478,106	(1,355,342)	(1,839,000)	483,658
1,532,453	4,810,377	(3,277,923)	Public works	114,875	5,508,684	(5,393,810)	(3,254,689)	(2,139,121)
90,502	202,267	(111,765)	Council Properties	85,624	210,906	(125,282)	89,000	(214,282)
-	95,336	(95,336)	Sports grounds	-	120,335	(120,335)	(131,000)	10,665
45,640	652,914	(607,274)	Town Halls	55,910	740,356	(684,446)	(757,700)	73,254
24,410,654	21,388,719	3,021,935	Town treasurer / CFO	9,914,086	6,579,783	3,334,304	8,781,510	(5,447,206)
1,378,100	3,339,898	(1,961,798)	Municipal manager	2,172,676	3,530,314	(1,357,638)	(1,960,645)	603,007
1,093,467	1,093,467	-	Welfare	983,489	983,489	-	-	-
Subsidised services								
7,182	7,182	-	Health	-	-	-	-	-
55,506	55,506	-	Fire brigade	9,153	9,153	-	-	-
515,793	515,793	-	Library	580,145	566,117	14,028	320,100	(306,072)
33,303,550	39,433,822	(6,130,271)	Total (carried forward)	18,329,110	28,097,967	(9,768,857)	(1,405,630)	(8,363,227)

TSWELOPELE LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX D (continued)

2008	2008	2008		2009	2009	2009	2009	2009
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)	Budgeted Surplus / (Deficit)	Under / (over) - expenditure
R	R	R		R	R	R	R	R
33,303,550	39,433,822	(6,130,271)	Total (carried over)	18,329,110	28,097,967	(9,768,857)	(1,405,630)	(8,363,227)
			Economic services					
4,952,164	3,502,576	1,449,588	Refuse removal	5,992,591	4,685,517	1,307,074	(170,852)	1,477,926
8,805,643	6,530,879	2,274,764	Sewerage	12,536,383	6,633,240	5,903,143	731,900	5,171,243
			Trading services					
10,144,250	9,291,513	852,737	Electricity	12,368,891	11,663,260	705,631	(751,400)	1,457,031
-	-	-	Game farming	-	-	-	-	-
9,221,767	4,657,594	4,564,173	Water	6,310,136	4,697,341	1,612,795	2,190,950	(578,155)
			Conditional Grants and Subsidies					
67,394,799	42,007,171	25,387,628	Grants income / (expenditure)	28,844,764	2,630,659	26,214,106	-	26,214,106
133,822,172	105,423,554	28,398,618	Total	84,381,875	58,407,984	25,973,891	594,968	25,378,923

TSWELOPELE LOCAL MUNICIPALITY
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX E

GRANT DESCRIPTION	Balance as at 1 July 2008	Other Adjustments	Current year receipts	Operating expenditure during the year (Transferred to revenue)	Capital expenditure during the year (Transferred to revenue)	Balance as at 30 June 2009
	R	R	R	R	R	R
District Municipality Grants						
Grant - Service of a loan	-	-	(50,000)	50,000	-	-
Provincial Government Grants						
Planning Provincial Government	(10,600)	-	-	10,600	-	-
Tikwana 100 housing	(1,285,874)	-	-	-	-	(1,285,874)
National Government Grants						
Equitable share	-	-	(29,757,818)	29,757,818	-	-
Financial Management Grant	(20,428)	-	(250,000)	270,428	-	-
MSIG Grant	(106,482)	42,432	(735,000)	794,935	-	(4,114)
Municipal Infrastructure Grant (MIG)	(26,869,454)	-	(5,700,000)	-	26,164,106	(6,405,348)
Other Grants and Subsidies						
DBSA Grant	(24,080)		-	24,080	-	-
Financial Grant	-		-	-	-	-
Grant - Capacity building	-		-	-	-	-
Grant - Town planning and survey	(60,448)		-	60,448	-	-
Lotto Grant	-		(386,239)	361,403	-	(24,836)
Purchase and repair of moveable assets	(67,888)		(5,670)	67,997	-	(5,561)
Skills Development Grant	(63,723)		(96,736)	25,000	-	(135,459)
Vuna award	(732,473)		(750,000)	1,015,768	-	(466,705)
TOTAL	<u>(29,241,450)</u>	<u>42,432</u>	<u>(37,731,463)</u>	<u>32,438,477</u>	<u>26,164,106</u>	<u>(8,327,897)</u>

TSWELOPELE LOCAL MUNICIPALITY
SCHEDULE OF CAPITAL COMMITMENTS
FOR THE YEAR ENDED 30 JUNE 2009

APPENDIX F

2008 Budgeted Expenditure	2008 Actual Expenditure	2008 Commitment	2008 Retention Monies	2008 Suretyship	DESCRIPTION	2009 Budgeted Expenditure	2009 Actual Expenditure	2009 Commitment	2009 Retention Monies	2009 Suretyship
R	R	R	R	R		R	R	R	R	R
					Municipal Infrastructure Grant (MIG)					
					<u>Phahameng</u>					
27,513,486	24,557,647	2,955,839	1,188,106	456,362	Sewerage Network	25,928,669	25,460,317	468,352	123,921	-
					<u>PMU</u>					
-	-	-	-	-	PMU unit Costs	500,000	500,000	-	-	-
					<u>Phahameng</u>					
8,705,136	-	8,705,136	-	-	Water Network	5,847,905	5,847,905	-	-	-
					<u>Tikwana</u>					
5,437,823	-	5,437,823	-	-	Water Network	3,599,073	3,599,073	-	-	-
					<u>Tikwana</u>					
19,308,295	18,310,728	997,567	845,080	801,607	Upgrading of Sewer Treatment plant	21,310,728	20,871,444	439,284	54,031	101,438
					<u>Phahameng</u>					
561,215	561,215	-	-	-	Roads & Stormwater Network	-	-	-	-	-
					Vuna Awards					
-	-	-	-	-	Extention of Offices - Bultfontein	1,739,832	1,015,769	724,063	-	112,863
61,525,956	43,429,590	18,096,365	2,033,186	1,257,968	TOTAL	58,926,207	57,294,508	1,631,699	177,952	214,301

5. ANALYSIS OF REVENUE COLLECTION

The table below set out the payment percentages of the municipality for the year under review, the biggest problem that the municipality faces is the low payment percentage in the township, especially Tikwana, the municipality needs to put in place strict measures in order to improve the payment percentage and must also ensure that the debt collection policy is followed.

MONTH	BULTFONTEIN			PHAHAMENG			HOOPSTAD			TIKWANA			AVE-RAGE / MONT
	LEVIES	PAY-MENTS	%	LEVIES	PAY-MENTS	%	LEVIES	PAY-MENTS	%	LEVIES	PAY-MENTS	%	
Jul-08	562,725	530,689	94.31	448,720	250,910	55.92	423,129	506,759	119.76	247,238	45,442	18.38	79.31
Aug-08	686,256	783,361	114.15	603,820	344,342	57.03	1,062,500	852,537	80.24	349,855	130,796	37.39	78.12
Sep-08	735,376	699,552	95.13	467,639	174,342	37.28	555,245	599,710	108.01	294,543	135,780	46.10	78.40
Oct-08	802,282	645,045	80.40	475,473	211,837	44.55	565,580	549,818	97.21	276,924	61,543	22.22	69.25
Nov-08	610,035	642,852	105.38	466,274	210,467	45.14	587,779	564,937	96.11	295,083	99,550	33.74	77.47
Dec-08	815,950	550,631	67.48	468,687	167,536	35.75	636,033	483,096	75.95	278,865	115,620	41.46	59.87
Jan-09	491,121	641,747	130.67	477,757	188,014	39.35	501,670	497,139	99.10	328,877	48,154	14.64	76.42
Feb-09	724,325	658,402	90.90	481,750	189,943	39.43	591,758	567,397	95.88	280,958	54,404	19.36	70.72
Mar-09	677,480	629,527	92.92	478,735	192,811	40.28	441,354	496,595	112.52	265,183	64,231	24.22	74.25
May-09	671,115	560,928	83.58	477,847	148,355	31.05	643,704	541,433	84.11	290,728	106,529	36.64	65.15
Jun-09	624,224	580,339	92.97	469,757	167,702	35.70	548,569	526,910	96.05	278,400	73,007	26.22	70.17

The municipality spent R 1.8 million more than the budgeted amount, this over-expenditure was subsequently approved by the council. This over - expenditure impacts negatively on the finances of the municipality.

The world economic environment is very volatile and our country is facing its recession for the first time over 17 years, meaning the cost to deliver services as per our mandate is now becoming more expensive, and the poor are the ones suffering, one of the objectives of the National and local government is to alleviate poverty and make sure make sure that the basic services are accessible to every citizen in the county, if the trend of spending continues, the municipality runs the risk of not meeting its constitutional mandate. Council must put strict measures in place to avoid the similar situation from occurring in the next financial year. The positive thing that came out this financial year is that other matters on the financial statements of the Municipal, this was the 5th time in the last 6 years that the municipality obtained an unqualified audit opinion the Office of the Auditor General issues the unqualified audit opinion with other matters on the financial statements of the Municipal, this was the 5th time in the last 6 years that the municipality obtained an unqualified audit opinion

6. CONCLUSION

This annual report gives a comprehensive and important summary of the Municipality's performance and service delivery in 2008 /09 financial year, and will enable the reader to have a better understating of all the activities within the municipality.

All the issues raised by the Auditor-General are addressed by the Chief Financial Officer in his responses to the report of the Auditor-General; the annual report is prepared in accordance with the Municipal Finance Management Act [MFMA] and all applicable legislation and is the major step towards the transparent, open, accountable and good governance. This report will be dealt with in the following manner:

- ✓ Submission to Council as an agenda item before the end of January
- ✓ Publish the report and avail it to:
 - ✦ Community
 - ✦ Auditor-General
 - ✦ Provincial Treasury
 - ✦ Department of Local Government
- ✓ Submission to council with all the comments received before the end of March
- ✓ Printing of the report.
- ✓ Submission to:
 - ✦ Provincial Legislature; within 7 days thereof
 - ✦ Department of Local Government

Considering all the area of service delivery, Tswelopele has fulfilled its mandate according to constitution.