

**TSWELOPELE LOCAL MUNICIPALITY**  
**DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2009**

I am responsible for the preparation of these annual financial statements, which are set out on page 4 to 60, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

---

Acting Municipal Manager  
S S Rabanye

---

Date

**TSWELOPELE LOCAL MUNICIPALITY**  
**INDEX**  
**FOR THE YEAR ENDED 30 JUNE 2009**

---

<b>INDEX</b>	<b>Page</b>
General information	1 - 2
Report of the Auditor-General	3
Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8 - 18
Notes to the Annual Financial Statements	19 - 51
Appendix A: Schedule of External Loans	52
Appendix B: Analysis of Property, Plant and equipment	53 - 54
Appendix C: Segmental Analysis of Property, Plant and equipment	55 - 56
Appendix D: Segmental Statement of Financial Performance	57 - 58
Appendix E: Disclosure of Grants and Subsidies in terms of Section 123 of MFMA, 56 of 2003	59
Appendix F: Capital commitments	60

**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	<b><u>Speaker:</u></b> S D Phara  <b><u>Members of Executive Committee:</u></b> T E Tjabane C Horn  <b><u>Chief Whip:</u></b> K D Motshabi  <b><u>Councillors of the Council:</u></b> M S Bonokwane P J Coetzer D E Liphooko T A Matlakala F T Matsholo N E Mphirime M J Ngexe M M Snyer M J Taljaard

**GENERAL INFORMATION  
FOR THE YEAR ENDED 30 JUNE 2009**

---

**GENERAL INFORMATION (continued)**

Registered address	Civic Centre Bosman Street Bultfontein 9670
Postal address	PO Box 3 Bultfontein 9670
Bankers	ABSA Bank
Auditors	The Auditor-General: Free State
Acting Municipal Manager	S S Rabanye
Chief Financial Officer	J W Young
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

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

4

		2009	RESTATED 2008
	Note	R	R
<b>ASSETS</b>			
<b>Current assets</b>		<b>14 556 039</b>	<b>33 166 397</b>
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
<b>Non-current assets</b>		<b>228 723 283</b>	<b>183 564 617</b>
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
<b>Total Assets</b>		<b>243 279 323</b>	<b>216 731 014</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>21 858 813</b>	<b>39 646 955</b>
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
<b>Non-current liabilities</b>		<b>18 691 334</b>	<b>18 305 542</b>
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
<b>Total Liabilities</b>		<b>40 550 148</b>	<b>57 952 496</b>
<b>NET ASSETS</b>		<b>202 729 175</b>	<b>158 778 518</b>
<b>NET ASSETS</b>		<b>202 729 175</b>	<b>158 778 518</b>
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**

5

	Notes	2009 R	RESTATED 2008 R
<b>REVENUE</b>		<b>83 504 649</b>	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
<b>EXPENDITURE</b>		<b>57 530 758</b>	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
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>25 973 891</b>	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

6

	Pre- GAMAP/GRAP Reserves and Funds	Accumulated Surplus/(Deficit)	TOTAL
<b>2008</b>			
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
<b>Restated balance at 30 June 2008</b>	-	<b>158 778 518</b>	<b>158 778 518</b>
Implementation of GRAP (refer to note 31.5)	-	17 976 765	17 976 765
<b>Restated balance at 30 June 2008</b>	-	<b>176 755 284</b>	<b>176 755 284</b>
Surplus/(deficit) for the year	-	25 973 891	25 973 891
<b>Balance at 30 June 2009</b>	-	<b>202 729 175</b>	<b>202 729 175</b>

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

7

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



**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

**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.

## 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
------------------	------------

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.

### 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
-------------------	---------

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.

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

---

**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.

## **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.

---

## **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.

---

## 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

(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.



## **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.

## **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.

---

## **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.

	2009 R	RESTATED 2008 R
<b>1 CASH AND CASH EQUIVALENTS</b>		
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
	<b>3 466 044</b>	<b>23 301 011</b>
The Municipality has the following bank accounts: -		
<b><u>Current Account (Primary Bank Account)</u></b>		
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
<b><u>Money market fund</u></b>		
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
<b><u>Savings Account</u></b>		
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
<b><u>Cash on hand</u></b>	<b>(3 101 147)</b>	<b>77 920</b>
Total cash and cash equivalents	<b>466 044</b>	<b>23 301 011</b>
Total bank overdraft	-	-

2 **TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

**Trade receivables**

**as at 30 June 2009**

Service debtors

	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
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)
<b>Total</b>	<b>36 665 530</b>	<b>(29 468 871)</b>	<b>7 196 659</b>

**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)
<b>Total</b>	<b>32 095 040</b>	<b>(24 319 278)</b>	<b>7 775 762</b>

**Rates: Ageing**

Current (0 – 30 days)	<b>259 409</b>	244 903
31 - 60 Days	<b>143 230</b>	117 619
61 - 90 Days	<b>130 215</b>	124 903
91 - 120 Days	<b>127 960</b>	113 825
121 - 150 Days	<b>123 649</b>	121 358
+ 150 Days	<b>4 561 397</b>	3 727 614
<b>Total</b>	<b>5 345 861</b>	<b>4 450 221</b>

**Electricity, Water and Sewerage: Ageing**

Current (0 – 30 days)	<b>1 644 153</b>	1 943 424
31 - 60 Days	<b>502 870</b>	440 997
61 - 90 Days	<b>450 545</b>	394 332
91 - 120 Days	<b>449 368</b>	385 542
121 - 150 Days	<b>413 090</b>	354 240
+ 150 Days	<b>18 185 719</b>	15 741 939
<b>Total</b>	<b>21 645 744</b>	<b>19 260 474</b>

**Refuse and Housing Rentals: Ageing**

Current (0 – 30 days)	<b>222 193</b>	189 868
31 - 60 Days	<b>180 781</b>	140 405
61 - 90 Days	<b>176 767</b>	140 296
91 - 120 Days	<b>175 025</b>	138 187
121 - 150 Days	<b>170 970</b>	135 684
+ 150 Days	<b>8 806 988</b>	7 383 261
<b>Total</b>	<b>9 732 724</b>	<b>8 127 701</b>

**NOTES TO THE FINANANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	RESTATED 2008 R
<b>2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)</b>		
<b>Bad Debt Provision</b>		
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)
<b>Balance at the end of the year</b>	<b>29 468 871</b>	<b>24 236 265</b>
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.		
<b>3 OTHER RECEIVABLES</b>		
Other debtors	1 543 192	1 826 746
Prepayments	100 536	97 736
<b>Total Other Debtors</b>	<b>1 643 728</b>	<b>1 924 482</b>
Debtors were disclosed at nominal value net of provision for bad debts.		
<b>4 INVENTORIES</b>		
<b>Opening balance of inventories:</b>	<b>165 142</b>	<b>173 754</b>
Electricity	39 693	39 566
Spare parts	24 657	24 657
Fuel	46 640	55 251
Water	54 151	54 151
Sewerage	-	128
<b>Additions:</b>	<b>3 150 899</b>	<b>1 212 223</b>
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	-	-
<b>Issued (expensed):</b>	<b>(1 123 673)</b>	<b>(1 160 870)</b>
Electricity	(3 236)	(47 040)
Spare parts	(22 413)	(69 002)
Fuel	(1 086 279)	(993 207)
Water	(11 745)	(51 493)
Sewerage	-	(128)
<b>Closing balance of inventories:</b>	<b>2 249 608</b>	<b>165 142</b>
Electricity	1 135 490	39 693
Spare parts	83 607	24 657
Fuel	204 654	46 640
Water	825 858	54 151
Sewerage	-	-

**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
<b>5 INVESTMENTS</b>		
<b><u>Listed</u></b>		
Tswelopele Local Municipality had not listed investments at the reporting date.		
<b><u>Unlisted</u></b>		
<b><u>Financial Instruments</u></b>		
Fixed Deposits		
Other Investments: Shares		
Classification		
Call deposit	2 098 987	22 991 469
Available for sale	212 455	212 455
	<b>2 311 441</b>	23 203 924
	<b>(2 098 987)</b>	(22 991 469)
	<b>212 455</b>	212 455
Less: Fixed deposits transferred to cash and cash equivalents		
<b>Unlisted investments</b>		
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.		
<b>Investment in Senwes and Senwesbel shares</b>		
Dividends received - Senwes Limited	14 321	19 753
Dividends received - Senwesbel Limited	17 040	30 292

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
<b>as at 1 July 2008</b>	<b>10 899 755</b>	<b>146 933 525</b>	<b>17 652 028</b>	<b>1 971 219</b>	<b>177 456 527</b>
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	<b>(5 500)</b>	-	<b>(317 162)</b>	-	<b>(322 662)</b>
Cost/Revaluation	(5 500)	-	(317 162)	-	(322 662)
Accumulated depreciation and impairment losses	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-
Transfers	-	-	-	-	-
<b>as at 30 June 2009</b>	<b>11 416 773</b>	<b>189 471 231</b>	<b>18 370 958</b>	<b>3 236 155</b>	<b>222 495 116</b>
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**

24

6.1 Reconciliation of Carrying Value	Land and Buildings R	Infrastructure R	Other Assets R	Finance lease assets R	Total R
<b>as at 1 July 2007</b>	<b>10 733 873</b>	<b>108 819 005</b>	<b>15 673 335</b>	<b>1 971 219</b>	<b>137 197 432</b>
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	-	-	-	-	-
<b>as at 30 June 2008 (restated)</b>	<b>10 899 755</b>	<b>146 933 525</b>	<b>17 652 028</b>	<b>1 971 219</b>	<b>177 456 527</b>
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.

7 INTANGIBLE ASSETS

7.1 Reconciliation of carrying value	Computer Software R
<b>as at 1 July 2008</b>	-
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	-
<b>as at 30 June 2009</b>	<b>32 327</b>
Cost	32 327
Accumulated amortisation and impairment losses	-

7 INTANGIBLE ASSETS (continued)

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

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

-

8 INVESTMENT PROPERTY CARRIED AT COST (continued)

8.2 Reconciliation of carrying value

Land and  
Buildings

	<b>R</b>
<b>as at 1 July 2007</b>	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	-
<b>as at 30 June 2008</b>	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.

	<b>2009</b>	<b>RESTATED</b>
	<b>R</b>	<b>2008</b>
		<b>R</b>
8.6 Rental income from investment property	<b>473 256</b>	375 242

**TSWELOPELE LOCAL MUNICIPALITY**

29

**NOTES TO THE FINANCIAL 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.

<b>9 BIOLOGICAL ASSETS</b>	
<b>9.1 Reconciliation of fair value</b>	<b>Game R</b>
<b>as at 1 July 2008</b>	<b>665 600</b>
Acquisitions	87 750
Fair value adjustment	-
Fair value of disposals	-
Impairment loss/Reversal of impairment loss	-
Transfers	-
<b>as at 30 June 2009</b>	<b>753 350</b>
<b>9.2 Reconciliation of fair value</b>	
<b>Fair value as at 1 July 2007</b>	<b>-</b>
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	-
<b>as at 30 June 2008</b>	<b>665 600</b>

<b>9 BIOLOGICAL ASSETS (continued)</b>	
<b>9.3 Quantities of Game at year end</b>	<b>Quantity</b>
'Blesbokke'	91
'Blouwildebeeste'	25
'Gemsbokke'	70
'Koedoes'	24
'Lechwe'	20
'Rooibokke'	26
'Rooihartbeeste'	9
'Sprinbokke'	268
'Swartsprinbokke'	55
'Swartwildebeeste'	119
'Volstruise'	17
'Zebras'	18
<b>9.4 Biological assets pledged as security</b>	
None of the biological assets of the Municipality were pledged as security for loans as at 30 June 2009.	
<b>9.5 Methods and assumptions used in determining the fair value</b>	

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.

		2009 R	RESTATED 2008 R
10	<b>TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</b>		
	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
	<b>Total creditors</b>	<b>8 361 480</b>	<b>8 972 714</b>
	The fair value of trade and other payables approximates their carrying amounts.		
11	<b>CONSUMER DEPOSITS</b>		
	Electricity and Water	414 042	380 282
	<b>Total consumer deposits</b>	<b>414 042</b>	<b>380 282</b>
	No interest accrues on the balance of the Consumer Deposits held by the Municipality.		
	No guarantees are kept in lieu of electricity deposits.		
12	<b>VALUE ADDED TAX</b>		
12.1	<b>VAT RECEIVABLE</b>		
	VAT receivable	-	-
12.2	<b>VAT PAYABLE</b>		
	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	<b>UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
13.1	<b>Unspent Conditional Grants from other spheres of Government</b>	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	<b>Other Unspent Conditional Grants and Receipts</b>	24 836	24 080
	DBSA Grant	-	24 080
	Lotto Grant	24 836	-
	<b>Total Unspent Conditional Grants and Receipts</b>	<b>8 327 894</b>	<b>29 241 448</b>
	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.		



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

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

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
<b>Amounts payable under finance leases</b>			
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)
			<b>1 188 037</b>

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
<b>Amounts payable under finance leases</b>			
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)
			<b>690 840</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	RESTATED 2008 R
<b>16 NON-CURRENT PROVISIONS</b>		
Provision for post retirement benefits	3 423 430	3 308 995
Provision for rehabilitation of landfill sites	83 745	74 325
<b>Total Non-Current Provisions</b>	<b>3 507 176</b>	<b>3 383 319</b>
<b>16.1 Provision for post retirement benefits</b>		
The movement in the provision for post retirement benefits is reconciled as follows: -		
<b>Balance at the beginning of year</b>	<b>3 308 997</b>	-
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
<b>Balance at the end of year</b>	<b>3 423 430</b>	<b>3 308 997</b>
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
<b>Total members</b>	<b>15</b>	<b>15</b>
Past service estimate liability		
In-service members	-	-
Continuation members	3 423 430	3 308 997
<b>Total liability</b>	<b>3 423 430</b>	<b>3 308 997</b>
The municipality makes monthly contributions relating to post retirement benefits to the following medical aid schemes:		
Fedhealth Medical Scheme		
Hosmed Medical Aid		
Keyhealth		
<b>KEY ASSUMPTIONS</b>		
<b>Rate of interest</b>		
Discount rate	12.68%	12.68%
Health care cost inflation rate	10.55%	10.55%
Net effective discount rate	1.34%	1.34%
<b>Mortality rates</b>		
Life expectancy tables were used in the calculations		
<b>16.2 Provision for rehabilitation of landfill sites</b>		
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.		

**NOTES TO THE FINANANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

	2009 R	RESTATED 2008 R
<b>16 NON-CURRENT PROVISIONS (continued)</b>		
<b>16.2 Provision for rehabilitation of landfill sites (continued)</b>		
The movement in the provision for rehabilitation of landfill sites is reconciled as follows: -		
<b>Balance at the beginning of year</b>	<b>74 325</b>	-
Change in accounting policy (refer to note 31.4)	-	65 964
Contribution for the year	<b>9 421</b>	8 361
Expenditure for the year	-	-
Total provision end of the year	<b>83 745</b>	74 325
Less: Transfer of current portion to current provisions	-	-
<b>Balance at the end of year</b>	<b>83 745</b>	74 325
<b>16.3 Total non-current provisions</b>		
The movement in the non-current provisions is reconciled as follows: -		
<b>Balance at the beginning of year</b>	<b>3 383 321</b>	-
Change in accounting policy (refer to note 31.4)	-	3 328 885
Contribution for the year	<b>361 213</b>	323 039
Expenditure for the year	<b>(338 500)</b>	(308 197)
Actuarial loss / (gain)	<b>101 140</b>	39 594
Total provision end of the year	<b>3 507 176</b>	3 383 321
Less: Transfer of current portion to current provisions	-	-
<b>Balance at the end of year</b>	<b>3 507 176</b>	3 383 321
<b>17 PROPERTY RATES</b>		
<b><u>Actual</u></b>		
State	<b>660 557</b>	660 557
Residential and Commercial	<b>2 546 816</b>	2 536 502
<b>Total</b>	<b>3 207 373</b>	3 197 059
<b><u>Valuations</u></b>		
Government	<b>1 566 288</b>	1 566 288
Residential and other	<b>12 455 903</b>	12 455 903
<b>Total Property Valuations</b>	<b>14 022 191</b>	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.		
<b>18 SERVICE CHARGES</b>		
Sale of electricity	<b>8 536 475</b>	5 962 532
Sale of water	<b>4 196 187</b>	4 915 641
Refuse removal	<b>2 852 957</b>	2 812 583
Sewerage and sanitation charges	<b>4 601 423</b>	4 521 549
<b>Total Service Charges</b>	<b>20 187 043</b>	18 212 305

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

		<b>2009</b>	<b>RESTATED</b>
		<b>R</b>	<b>2008</b>
			<b>R</b>
<b>19</b>	<b>RENTAL OF FACILITIES AND EQUIPMENT</b>		
	Rental of facilities	473 256	375 242
	Rental of equipment	81 553	57 063
	Other rentals	36 129	46 509
	<b>Total rentals</b>	<b>590 938</b>	<b>478 814</b>
<b>20</b>	<b>INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
	ABSA Bank - Current Account	8 014	16 359
	ABSA Bank - Money Market Account	1 675 517	1 771 543
	<b>Total interest</b>	<b>1 683 531</b>	<b>1 787 902</b>
<b>21</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES</b>		
	<b>Equitable share</b>	<b>27 853 031</b>	<b>21 364 388</b>
	Actually received	29 757 818	21 364 388
	Directly utilised for subsidised services	(1 904 787)	-
	<b>Conditional Grants</b>		
	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
	<b>Total Government Grant and Subsidies</b>	<b>56 697 796</b>	<b>101 486 079</b>
	No grants were withheld due to unfulfilled conditions.		
	The free electricity provided by the Municipality is recoverable from the equitable share grant		
<b>21.1</b>	<b>Equitable Share</b>		
	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.		
<b>21.2</b>	<b>Skills Development Grant</b>		
	<b>Balance unspent at beginning of year</b>	<b>(63 723)</b>	<b>(63 723)</b>
	Current year receipts	(96 736)	-
	Conditions met - transferred to revenue	25 000	-
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	<b>(135 459)</b>	<b>(63 723)</b>
	This grant was utilised to defray training costs of personnel. The conditions of the grant have been met and no monies have been withheld.		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

		2009 R	RESTATED 2008 R
21	<b>GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
21.3	<b>MIG Grant</b>		
	<b>Balance unspent at beginning of year</b>	<b>(26 869 454)</b>	<b>(5 328 848)</b>
	Current year receipts	<b>(5 700 000)</b>	<b>(92 167 224)</b>
	As per the financial records	<b>(2 700 000)</b>	<b>(92 167 224)</b>
	Add uncleared deposits transferred from cash book	<b>(3 000 000)</b>	<b>-</b>
	Conditions met - transferred to revenue (operating expenditure)	-	32 512 098
	Conditions met - transferred to revenue (capital expenditure)	<b>26 164 106</b>	<b>38 114 520</b>
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	<b>(6 405 348)</b>	<b>(26 869 454)</b>
	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.		
	Included in the unspent MIG Grant are retention monies and suretyship withheld from various projects financed by MIG.		
21.4	<b>Financial Management Grant</b>		
	<b>Balance unspent at beginning of year</b>	<b>(20 428)</b>	<b>(67 888)</b>
	Current year receipts	<b>(250 000)</b>	<b>(21 883)</b>
	Conditions met - transferred to revenue	<b>270 428</b>	<b>69 343</b>
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	<b>-</b>	<b>(20 428)</b>
	The purpose of the grant is to promote and support reforms to financial management and implementation of the Municipal Finance Management Act (MFMA)		
21.5	<b>MSIG Grant</b>		
	<b>Balance unspent at beginning of year</b>	<b>(64 047)</b>	<b>(317 579)</b>
	Current year receipts	<b>(735 000)</b>	<b>(8 734 000)</b>
	Conditions met - transferred to revenue	<b>794 935</b>	<b>8 987 532</b>
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	<b>(4 112)</b>	<b>(64 047)</b>
	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.		
21.6	<b>Grant - capacity building</b>		
	<b>Balance unspent at beginning of year</b>	-	-
	Current year receipts	-	(24 970)
	Conditions met - transferred to revenue	-	24 970
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	-	-
	Grant will be used for Capacity Building of the Municipality.		

FOR THE YEAR ENDED 30 JUNE 2009

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

		2009 R	RESTATED 2008 R
21	<b>GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
21.12	<b>Grant - Service of loan</b>		
	<b>Balance unspent at beginning of year</b>	-	-
	Current year receipts	(50 000)	(50 000)
	Conditions met - transferred to revenue	50 000	50 000
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	-	-
	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	<b>DBSA Grant</b>		
	<b>Balance unspent at beginning of year</b>	(24 080)	(101 030)
	Current year receipts	-	-
	Conditions met - transferred to revenue	24 080	76 950
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	-	(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	<b>VUNA Award</b>		
	<b>Balance unspent at beginning of year</b>	(732 473)	-
	Current year receipts	(750 000)	(750 000)
	Conditions met - transferred to revenue	1 015 768	17 527
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	(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	<b>Lotto Grant</b>		
	<b>Balance unspent at beginning of year</b>	-	-
	Current year receipts	(386 239)	-
	Conditions met - transferred to revenue	361 403	-
	<b>Conditions still to be met - remain liabilities (see note 13)</b>	(24 836)	-
	No grants were withheld due to unfulfilled conditions.		
21.16	<b>Changes in levels of government grants</b>		
	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	<b>EMPLOYEE RELATED COSTS</b>		
	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
	<b>Total Employee Related Costs</b>	<b>25 025 534</b>	<b>21 183 132</b>
<b>TSWELOPELE LOCAL MUNICIPALITY</b>			39
<b>NOTES TO THE FINANANCIAL STATEMENTS</b>			
<b>FOR THE YEAR ENDED 30 JUNE 2009</b>			

		2009 R	RESTATED 2008 R
22	<b>EMPLOYEE RELATED COSTS (continued)</b>		
	<b>Remuneration of the Municipal Manager</b>		
	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
	<b>Total</b>	<b>566 082</b>	<b>532 252</b>
	<b>Remuneration of the Chief Finance Officer</b>		
	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
	<b>Total</b>	<b>617 440</b>	<b>492 338</b>
	<b>Remuneration of Individual Executive Managers</b>		
		<b>Chief Operating Officer R</b>	<b>Corporate Services R</b>
	<b>2009</b>		<b>Community Services R</b>
	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
	<b>Total</b>	<b>693 848</b>	<b>579 103</b>
		<b>Chief Operating Officer R</b>	<b>Corporate Services R</b>
	<b>2008</b>		<b>Community Services R</b>
	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
	<b>Total</b>	<b>526 930</b>	<b>503 858</b>
		2009 R	RESTATED 2008 R
23	<b>REMUNERATION OF COUNCILLORS</b>		
	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
	<b>Total Councillors' Remuneration</b>	<b>2 573 505</b>	<b>2 349 386</b>



	2009 R	RESTATED 2008 R
23 <b>REMUNERATION OF COUNCILLORS (continued)</b>		
<b>In-kind Benefits</b>		
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 <b>DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment	-	-
Finance leased assets	-	-
Investment property carried at cost	-	-
Intangible assets	-	-
<b>Total Depreciation and Amortisation</b>	-	-
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 <b>FINANCE COSTS</b>		
Borrowings	2 106 601	2 113 568
Consumer deposits	7 587	1 469
Finance leases	49 046	12 105
<b>Total Finance Costs</b>	2 163 234	2 127 142
26 <b>BULK PURCHASES</b>		
Electricity	9 846 279	6 285 377
Water	557 891	2 425 188
<b>Total Bulk Purchases</b>	10 404 170	8 710 564
27 <b>OPERATING GRANT EXPENDITURE</b>		
Total Grants and Subsidies utilised	56 697 796	101 486 079
<b>Less:</b>		
Equitable share	(27 853 031)	(21 364 388)
Capital expenditure grants (MIG)	(26 164 106)	(38 114 520)
<b>Total operating grant expenditure</b>	2 680 659	42 007 171
28 <b>CASH AND CASH EQUIVALENTS</b>		
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	-	-
<b>Net cash and cash equivalents (net of bank overdrafts)</b>	3 466 044	23 301 011

	2009 R	RESTATED 2008 R
<b>29 GENERAL EXPENSES</b>		
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
	<b>7 312 189</b>	<b>18 349 093</b>
<b>30 CASH GENERATED BY OPERATIONS</b>		
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
<b>Operating surplus before working capital changes:</b>	<b>33 412 994</b>	<b>28 934 551</b>
(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
<b>Cash generated by/(utilised in) operations</b>	<b>25 616 675</b>	<b>52 283 743</b>

TSWELOPELE LOCAL MUNICIPALITY

42

NOTES TO THE FINANANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

RESTATED

	2009 R	2008 R
<b>31 CHANGE IN ACCOUNTING POLICY</b>		
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:		
<b>31.1 Statutory Funds</b>		
<b>Balance previously reported: -</b>		
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
<b>Total</b>	<b>1 129 395</b>	<b>161 792 826</b>
<b>Implementation of GRAP</b>		
Transferred to Capitalisation Reserve	-	-
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 31.5 below)</b>	<b>1 129 395</b>	<b>161 792 826</b>
<b>31.2 Property, plant and equipment</b>		
<b>Balance previously reported: -</b>	<b>(246 277 949)</b>	<b>(200 916 698)</b>
<b>Implementation of GRAP</b>		
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
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 31.5 below)</b>	<b>(18 520 471)</b>	<b>(18 230 136)</b>
<b>31.3 Accumulated Depreciation</b>		
<b>Balance previously reported -</b>	-	-
<b>Implementation of GRAP</b>		
Backlog depreciation: Land and buildings	-	-
Backlog depreciation: Infrastructure	-	-
Backlog depreciation: Other	-	-
Backlog depreciation: Leased assets	-	-
Backlog depreciation: Investment property	-	-
Backlog depreciation: Intangible assets	-	-
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 31.5 below)</b>	<b>-</b>	<b>-</b>
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.		
<b>31.4 Non-current provisions</b>		
<b>Balance previously reported -</b>	-	-
<b>Implementation of GRAP</b>		
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
<b>Total (debited to Accumulated Surplus/(Deficit)) (see 31.5 below)</b>	<b>(3 507 176)</b>	<b>(3 383 321)</b>

TSWELOPELE LOCAL MUNICIPALITY

43

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

RESTATED

	2009 R	2008 R
31 <b>CHANGE IN ACCOUNTING POLICY (continued)</b>		
31.5 <b>Accumulated Surplus/(Deficit)</b>		
<b>Implementation of GRAP</b>		
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)
<b>Total</b>	<b>(17 976 765)</b>	<b>136 292 310</b>
32 <b>CORRECTION OF ERROR</b>		
The following errors were corrected in terms of GRAP 3:		
Accounting Policies, Changes in Accounting Estimates and Errors.		
32.1 <b>Unspent Conditional Grants reclassified from payables</b>		
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 <b>Government grants and subsidies (revenue)</b>		
The recognised for Government Grants and Subsidies was corrected to be in line with GRAP 9.		
<b>The comparative amount has been restated as follows:</b>		
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 <b>Biological assets reclassified from inventory</b>		
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 <b>Accruals reclassified from provisions</b>		
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
<b>TSWELOPELE LOCAL MUNICIPALITY</b>		44
<b>NOTES TO THE FINANANCIAL STATEMENTS</b>		
<b>FOR THE YEAR ENDED 30 JUNE 2009</b>		

RESTATED

	2009 R	2008 R
<b>32.5 Finance lease assets and liabilities reclassified from leases</b>		
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:		
<b>The comparative amount has been restated as follows:</b>		
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	(512 523)	(413 466)
Net effect on surplus/(deficit) for the year	(463 477)	(401 361)
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	1 351 856	106 796
Net effect on Accumulated surplus opening balance	(401 361)	71 032
<b>32.6 VAT provision on debtors balance</b>		
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
<b>32.7 Insurance claims proceeds</b>		
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)
<b>32.8 Accumulated Surplus/(Deficit)</b>		
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)
<b>Total</b>	-	(25 734 552)

	2009 R	2008 R
<b>33 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>33.1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Opening balance	-	-
Unauthorised expenditure current year	-	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
<b>33.2 Fruitless and wasteful expenditure</b>		
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
<b>33.3 Irregular expenditure</b>		
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.		
<b>34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>34.1 Contributions to organised local government</b>		
Opening balance	-	-
Council subscriptions	151 399	172 383
Amount paid - current	(151 399)	(172 383)
Amount paid - previous years	-	-
<b>Balance unpaid (included in payables)</b>	-	-
<b>34.2 Audit fees</b>		
Opening balance	678 596	760 169
Current year audit fee	-	818 182
Amount paid - current year	-	-
Amount paid - previous years	(678 596)	(899 755)
<b>Balance unpaid (included in payables)</b>	-	678 596
No provision was made for the 2008/09 financial period		
<b>34.3 VAT</b>		
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

46

NOTES TO THE FINANANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

RESTATED

	2009 R	2008 R
<b>34 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (continued)</b>		
<b>34.4 PAYE and UIF</b>		
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	-	-
<b>Balance unpaid (included in payables)</b>	<b>43 929</b>	<b>43 929</b>
The balance represents PAYE and UIF deducted from the June 2009 payroll.		
<b>34.5 Pension and Medical Aid Deductions</b>		
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	-	-
<b>Balance unpaid (included in payables)</b>	<b>-</b>	<b>-</b>
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.		
<b>34.6 Councillor's arrear consumer accounts</b>	nil	nil
<b>35 CAPITAL COMMITMENTS</b>		
<b>35.1 Commitments in respect of capital expenditure</b>		
- <b>Approved and contracted for</b>	<b>15 800 472</b>	<b>54 645 780</b>
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
<b>Total</b>	<b>15 800 472</b>	<b>54 645 780</b>
<b>Total capital commitments at year end</b>	<b>1 631 699</b>	<b>18 096 365</b>
<b>Total Suretyships and Retention monies</b>	<b>392 253</b>	<b>3 291 154</b>
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.		
<b>35.2 Operating leases</b>		
<b>Operating leases – as lessor</b>		
<b>Minimum lease payments due</b>		
Within one year	438 793	421 943
In second to fifth year inclusive	281 468	660 225
After five years	157 583	217 618
<b>Total</b>	<b>877 844</b>	<b>1 299 787</b>

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 Theunissen 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.



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 Contingent liability at year end. Refer to details of amounts below.

Balance per the Municipality

(2 528 977)

-

Balance per DWAF

(3 313 149)

-

Contingent 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

-

-

	R	R
<b>40 RELATED PARTIES (continued)</b>		
<b>Related party transactions</b>		
Interest paid to (received from) related parties	-	-
Loans to (from) related parties	-	-
Purchases from (sales to) related parties		
C. Horn (Horn Familie Trust)	<b>1 267</b>	13 365
M.J. Taljaard (Die Ou Plank Plek)	-	3 400
<b>41 EVENTS AFTER THE REPORTING DATE</b>		
At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.		
<b>42 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS</b>		
The following areas involve a significant degree of estimation uncertainty:		
Provision for doubtful debts	<b>29 468 871</b>	24 236 265
Depreciation and impairment of assets	-	-
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)	<b>3 507 176</b>	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.		
<b>43 RISK MANAGEMENT</b>		
<b>43.1 Maximum credit risk exposure</b>		
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	<b>1 468 204</b>	223 743
ABSA Bank: Money Market Account	<b>2 098 987</b>	22 991 469
ABSA Bank: Savings Account	-	7 879
Trade and other receivables	<b>8 840 387</b>	9 700 244
These balances represent the maximum exposure to credit risk.		
<b>43.2 Liquidity risk</b>		
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**

50

**NOTES TO THE FINANANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

	2009	RESTATED
	R	2008
		R

43 **RISK MANAGEMENT (continued)**

43.2 **Liquidity risk (continued)**

	Within one year	Later than one year and not later than two years
<b>2009</b>		
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	Later than five years
<b>2009</b>		
Gross finance lease obligations	548 050	-
Borrowings	3 159 892	6 270 505
Trade and other payables	-	-

	Within one year	Later than one year and not later than two years
<b>2008</b>		
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	Later than five years
<b>2008</b>		
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	<b>1 468 204</b>	223 743
- ABSA Bank: Money Market Account	<b>2 098 987</b>	22 991 469
- ABSA Bank: Savings Account	-	7 879
- Development Bank of South Africa loan	<b>(14 401 177)</b>	(14 755 616)
- Finance Lease Liabilities	<b>(1 884 299)</b>	(1 085 593)

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	<b>609 434</b>	576 506
Average gross rate of return on investments	<b>14.76%</b>	23.56%

Dividends received - Senwes Limited	<b>14 321</b>	19 753
Dividends received - Senwesbel Limited	<b>17 040</b>	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		<u>(2 775 675)</u>
		<u>-</u>

45 **COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures D.

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

52

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	-
<b>TOTAL EXTERNAL LOANS</b>			<b>14 755 616</b>	<b>-</b>	<b>(354 439)</b>	<b>14 401 177</b>	<b>15 718 000</b>			<b>-</b>

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

[illegible]

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

[illegible]





	Cost / Revaluation						Accumulated Depreciation							Carrying value
Description	Opening Balance	Additions	Revaluations	Transfers	Disposals	Closing Balance	Opening Balance	Depreciation	Impairment	Transfers	Disposals	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R	
Executive & Council	9 767 837	448 787	-	-	-	10 216 625	-	-	-	-	-	-	10 216 625	
Community & Social Services	35 561 309	2 892 412	-	-	(14 803)	38 438 917	-	-	-	-	-	-	38 438 917	
Sport & Recreation	2 872 215	316 620	-	-	-	3 188 835	-	-	-	-	-	-	3 188 835	
Waste Management	52 619 056	30 738 385	-	-	-	83 357 441	-	-	-	-	-	-	83 357 441	
Water	28 195 077	5 695 687	-	-	-	33 890 764	-	-	-	-	-	-	33 890 764	
Electricity	8 181 936	182 008	-	-	-	8 363 944	-	-	-	-	-	-	8 363 944	
Total	137 197 432	40 273 899	-	-	(14 803)	177 456 527	-	-	-	-	-	-	177 456 527	

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

57

**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
<b>Community services</b>								
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	-	-	-
<b>Subsidised services</b>								
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)	<b>Total (carried forward)</b>	18 329 110	28 097 967	(9 768 857)	(1 405 630)	(8 363 227)

**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)	<b>Total (carried over)</b>	18 329 110	28 097 967	(9 768 857)	(1 405 630)	(8 363 227)
			<b>Economic services</b>					
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
			<b>Trading services</b>					
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)
			<b>Conditional Grants and Subsidies</b>					
67 394 799	42 007 171	25 387 628	Grants income / (expenditure)	28 844 764	2 630 659	26 214 106	-	26 214 106
<b>133 822 172</b>	<b>105 423 554</b>	<b>28 398 618</b>	<b>Total</b>	<b>84 381 875</b>	<b>58 407 984</b>	<b>25 973 891</b>	<b>594 968</b>	<b>25 378 923</b>

## 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
<b>District Municipality Grants</b>						
Grant - Service of a loan	-	-	(50 000)	50 000	-	-
<b>Provincial Government Grants</b>						
Planning Provincial Government	(10 600)	-	-	10 600	-	-
Tikwana 100 housing	(1 285 874)	-	-	-	-	(1 285 874)
<b>National Government Grants</b>						
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)
<b>Other Grants and Subsidies</b>						
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)
<b>TOTAL</b>	<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

60

APPENDIX F

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